



# **ANNUAL BUDGET FOR 2018/2019 MTREF**

**2018/19 to 2020/21  
Medium Term Revenue and Expenditure  
Framework (MTREF)**

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## Glossary

**Adjustments Budget** – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**Allocations** – Money received from Provincial or National Government or other municipalities.

**AFS**- Annual Financial Statements

**Assessment Rates** - Local Government tax based on the assessed value of a property.

To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

**Budget** – The financial plan of the Municipality.

**Budget Related Policy** – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

**Capital Expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

**CRR** – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

**Cash Flow Statement** – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**CFO** - Chief Financial Officer

**DORA** – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

**Equitable Share** – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**EPWP** – Expanded Public Works Programme.

**FFC** – Financial and Fiscal Commission.

**Fruitless and wasteful expenditure** – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GIS** – Geographic Information System.

**GFS** – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GGP** – Gross Geographic Product

**GRAP** – Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

**IDP** – Integrated Development Plan. The main strategic planning document of the Municipality

**ISDF** – Integrated Strategic Development Framework - The 20-year framework linking technical, financial and economic planning.

**KPI's** – Key Performance Indicators. Measures of service output and/or outcome.

**MEC** – Minister in Executive Committee (Province).

**MFMA** – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

**MTREF** – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

**MPAC** – Municipal Public Accounts Committee.

**MSCOA** – Municipal Standard Chart of Accounts

**NERSA** – National Electricity Regulator of South Africa.

**NT** – National Treasury.

**NDPG** – Neighbourhood Development Partnership Grant.

**Net Assets** – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or

Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

**Operating Expenditure** – Spending on the day to day expenses of the Municipality such as salaries and wages.

**R&M** – Repairs and maintenance on property, plant and equipment.

**SDBIP** – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic Objectives** – The main priorities of the Municipality as set out in the IDP.

Budgeted spending must contribute towards the achievement of the strategic objectives.

**SCM** – Supply Chain Management.

**Unauthorised expenditure** – Generally, spending without, or in excess of, an approved budget.

**Virement** – A transfer of budget.

**Virement Policy** - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

**Vote** – One of the main segments into which a budget is divided. In Kgatelopele Local Municipality this means at directorate level.

## **1. MAYORAL BUDGET SPEECH**

In terms of section 34 (a) & (l) of the Local Government: Municipal System Act, 2000 (Act 32 of 2000) each municipality must review its Intergrade Development Plan (IDP) annually to assess its performance against measurable targets and respond to the demands of the changing circumstances. This is usually done through extensive or vigorous stakeholders' consultation that includes our communities, business and social partners. The IDP is a five-year plan that is subjected for review annually to reflect our past achievements and challenges that might have impacted either both positively or negatively, it further serves as a strategy that inform Council for the period of five years. It encourages both short and long-term planning, in a short term it assists in addressing issues or challenges that may be resolved within the relevant term of office while at the same time it provides space for the long-term development of the area in an integrated and co-ordinated manner.

The Municipal Finance Act (MFMA) of 2003, Chapter 4, Section 16, Subsection 2, further directs Municipalities to table the Plan as well as the Draft Budget before Council on or before the end of the 31<sup>st</sup> March of each financial year. The Municipal System Act also dictates that process of Public Participation should be undertaken before Council can adopt and approve the Integrated Development Plan and Budget. This Integrated Development Plan review presents us with an opportunity to maintain our commitment to the objectives set out and take the final steps in the completion of we started together a few years ago. The review is used as a tool to assist to realise the long-term objectives of the Kgatelopele Municipal Council. This IDP further contains the key performance areas and indicators through which the communities we serve can hold the Council accountable and responsible. Therefore, on an annual basis, we shall prepare an Annual Report on the progress achieved with the implementation of this IDP, armed with the key performance ideals contained in the IDP, Kgatelopele Municipality seeks to address the needs of our people, to create an environment that is conducive to economic growth, to create a better life for all, and to transform the municipal area into a kind of home that we all aspire to.

The "Back to Basics" concept evolved from the 2<sup>nd</sup> Presidential Local Government Summit convened on the 18<sup>th</sup> September 2014 at Midrand in Johannesburg, is mainly the manifesto of communities' frustrations and dissatisfaction with the level of services rendered by municipalities. The summit was held at an opportune time when many municipalities

throughout the country were facing sporadic service delivery protests, Kgatelopele is no exception. Our Commitment as duly elected representatives of the people of Kgatelopele, is to ensure that service delivery priorities and plans contained in this Integrated Development Plan are implemented efficiently, effectively and economically in order to make the Municipality a responsive, people centred and developmental local government relating to resources or budget available.

However, Kgatelopele Municipal Council has many challenges, some of the challenges being, grabbing of land, dolomite, unemployment, drugs, alcohol abuse and theft of municipal equipment or (tools), furthermore the municipality experience shortage of equipment amongst others just to mention a few, vehicles, Lawnmowers, concrete mixer, proper safe cherry picker, front end loader, grader and other necessary tools not forgetting a polluted environment which impact negatively in the planning processes and current financial year or even beyond 2018/2019. The issue of finance and institution arrangement is now stabilised. It must be said that it is a bad experience to have a bitter taste in the mouth to learn that our municipality have regressed from a Qualified Audit Opinion of 2015/2016 to a Disclaimer Audit Opinion of 2016/2017. It is worry some indication that the situation is getting worst in Kgatelopele Municipality. To correct the current situation, we need to commit ourselves to a drastic turnaround of events, to instil fiscal discipline throughout municipal financial matters in all departments and discipline in general, fruitless and wasteful irregular expenditure, insufficient evidence and supporting documentation should be something of the past, adhere to the implementation of the Audit Action Plan, to put more emphasis on the Implementation of the Credit Control Policy and furthermore to ensure that it becomes an obligation to all of us to put our shoulders behind the wheel and walk an extra mile in order to improve the situation for the better.

Our commitment is to strengthen community participation in our municipality by ensuring that ward committees are established before the end of the current financial year 2017/2018. And also, to ensure the completion of all current projects as per contractual agreement, the project is related to

- Fencing of the Solid Waste Landfill Site
- The Water Waste Treatment Plant
- Paving of a street in Tlhakalatlou and the street leading to the oxidation ponds
- Refurbishment of asbestos pipes



I would like to remind ourselves that the current council will be serving 20 Months in office by May 2018 since August 2016 Local Government General Election and our communities are still faced with challenges that needs a politically stable and strong council that can tackle challenges head on, and council is going to need the support from the community they serve in order for the provision of efficient and effective service delivery to all our people is realised. All Kgatelopele Municipal stakeholders including our community and business are encouraged to work with the municipality in order to create a financially sound municipality, provision of services, proper infrastructure in order to enable a conducive environment to attract investments

Which ultimately will result in an economically viable municipality that will improve the living conditions of the people. The people of Kgatelopele would like to see peace prevailing in the Kgatelopele especially after experiencing a rolling mass action and unrest in the past few years pre- August 2016.

The total budget that provides for both capital/operation amounts to **R 114 741 946** to assist with the opportunity to improve our service delivery performance and infrastructure challenges. I realise that the maintenance of infrastructure has pushed our rates and tariff increase to 5.3% for all other service and 6.84% for electricity. This is to ensure that there's sustainable provision of services to the community, and the increase is in line with the guidelines. I appeal to residents and ratepayers who can afford to partner with us by paying their services, to enable us to fulfil our developmental agenda

It is our duty as the current council to comply with the prescripts set out in the legislative guidelines/ regulations such as Municipal Finance Management Act 56 of 2003, Circular No 82 dealing with cost containment. We have cut cost on the following areas: catering services, travel costs, consultant fees and special projects as part of compliance

The dependency on grants and subsidies influences our expenditure and the major grant funding that Kgatelopele Municipality is receiving from national government is as follows:

- *Equitable share – R 20 465 000 (twenty million, four hundred and sixty five million)*
- *Finance Management Grant – R2 415 000 (two million, four hundred and fifteen million)*
- *Water Services Infrastructure Grant – R 5 000 000 (five million rand)*
- *Municipal Infrastructure Grant (MIG)- R7 975 000 (seven million, nine hundred and seventy five million)*
- *Human Settlement – R 20 966 000 (twenty million, nine hundred and sixty-six million)*

- *Library – R 655 000 (six hundred and fifty five thousands)*

On behalf of Kgatelopele Municipal Council, let me acknowledge the persistent hard work, dedication, determination and participation displayed by staff of our municipality during the IDP process.

In conclusion, we call upon all our stakeholders and communities to join hands with government to deliver on our mandate as Local Government is everyone s business.

## 2. COUNCIL RESOLUTIONS

1. The Council of Kgatelopele Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position
    - 1.2.2. Budgeted Cash Flows
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
    - 1.2.4. Asset management
    - 1.2.5. Basic service delivery measurement
2. The Council of Kgatelopele Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:
  - 2.1. the tariffs for property rates
  - 2.2. the tariffs for electricity
  - 2.3. the tariffs for the supply of water
  - 2.4. the tariffs for sanitation services
  - 2.5. the tariffs for solid waste services
3. The Council of Kgatelopele Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services, as set out in to respectively.
4. To give proper effect to the municipality's annual budget, the Council of Kgatelopele Local Municipality approves:
  - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
5. Finance Policies

The council of Kgatelopele Local Municipality approves and adopts the reviewed policies as follows:

- 5.1 Indigent subsidy policy 2018/19
- 5.2 Inventory management policy 2018/19
- 5.3 Bad debt policy 2018/19
- 5.4 Banking and Investment Policy 2018/19
- 5.5 Borrowing Policy 2018/2019
- 5.6 Budget Policy 2018/19
- 5.7 Credit Control Policy 2018/19
- 5.8 Funding and reserve 2018/2019
- 5.9 Tariff policy 2018/19
- 5.10 Fruitless and wasteful expenditure Policy 2018/19
- 5.11 Distribution losses policy 2018/2019

- 5.12 Subsistence and travelling 2018/2019
- 5.13 Property rates policy 2018/19
- 5.14 Virement Policy 2018/19
- 5.15 Petty cash Policy 2018/19
- 5.16 Supply Chain Management Policy 2018/19
- 5.17 Cellphone allowance Policy 2018/19
- 5.18 SCM Infrastructure Procurement and Delivery Management Policy 2018/19

## 6. Activity/Business Plans

The council of Kgatelopele Local Municipality approves and adopts the Grant related activity and business Plans as follows:

- 6.1 FMG Activity Plan 2018/19
- 6.2 WSIG Business Plan 2018/19
- 6.3 INEP Business Plan 2018/19
- 6.4 MIG Business Plan 2018/19

### **3. EXECUTIVE SUMMARY**

#### **Introduction**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities

There is an overall decline in global economic growth, with rating agencies such as Moody declaring South Africa to junk status. The South African economy is facing severe challenges with economic growth of 1.5%, even with the 0.5% increase in the growth rate it is still not sufficient, high unemployment, extreme inequality, rising crime, the impact of the worst drought in decades and business confidence. The deterioration of the Kgatelopele Local economy still continues in line with the overall South African economy

The budget for the financial year 2018/19 reflects the strategy and priorities of the Kgatelopele Local Municipality within those of the Province of the Northern Cape as well as the priorities and strategies of the National Development Plan and the strategic thrusts as enunciated by Minister Pravin Gordhan in his position paper on local government summarised in the slogan "Back to Basics". With the 2016/17 audit outcomes being a disclaimer of opinion, the core focus of the municipality will be in building capacity to enable effective and efficient service delivery with sound financial management.

In the spirit of Back to basics, Provincial Treasury funded the municipality with a data cleansing project which assisted the municipality in correcting the current data on the system and enhancing revenue.

On 22 April 2014, National Treasury published a regulation on the Standard chart of Accounts (mSCOA) that will have a profound effect on the business of local government. This reform is not limited to a financial reform, but a business reform as a whole. It is the largest reform since the promulgation of the Municipal Finance Management Act in 2003. The 2017/18 was the first year of implementation of this reform, Kgatelopele Local Municipality has been transacting on the new mSCOA reform.

This 2018/19 Budget therefore places emphasis on sound financial management principles and inclusive growth, as well as a progressive programme of capital expenditures. This Budget also relies on practice of good governance and a public ethic

that values honesty and fairness. If we act together, on these principles, as public representatives, civil servants, business people, youth, workers and citizens, we can overcome the challenges of tough economic times and difficult adjustments.

The application of sound financial management principles for the compilation of Kgatelopele Local Municipality's financial plan is essential and critical to ensure that Kgatelopele Local Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. Kgatelopele Local Municipality's business and service delivery priorities were reviewed as part of this year's planning and budgeting process. Where appropriate, funds were transferred to address crucial service delivery needs and to ensure compliance with legislative requirements and to meet service delivery obligations. The current year adjustment budget is reflective of this principle and supports the municipality's quest for financial sustainability and providing quality services to the community.

Kgatelopele Local Municipality will embark on implementing a range of revenue collection strategies as per the recommendations from Provincial Treasury and the Data Integrity project, to optimize the collection of debt owed by consumers and to ensure that all revenue due is billed correctly and collected efficiently. Progress has been made in the 2017/18 financial year with Organs of State debt.

Furthermore, Kgatelopele Local Municipality will be undertaking various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring true community participation.

National Treasury's MFMA Circular No. 91 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19

MTREF can be summarized as follows:

- The slow recovery from the economic downturn that is still hampering growth and development not only locally but provincially and nationally.
- Revenue recovery from cost reflective core municipal services
- Limited available own funding to fund much needed infrastructure.
- Population growth placing a strain on infrastructure and housing needs.
- Ageing and poorly maintained water, roads and electricity infrastructure;

- Service delivery vehicles are very old and are breaking down more regularly and subsequent repair cost is gradually on the increase year after year.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Maintaining a positive cash flow.

The following budget principles and guidelines directly informed the compilation of the

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget; where appropriate a zero-base approached has been to some extent used.
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of refuse removal and the continued escalation in the fuel price. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Circular 82 of National Treasury's guidelines on cost containment, the following cost saving measures were applied:
  - Restructuring of the personnel structure to decrease consultant fees and overtime costs.
  - No borrowing initiatives taken;
  - Principle of 0% increase in non-core general expenses unless valid motivations dictate.
  - Subsistence and travel cost
  - Catering and entertainment

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2018/2019 MTREF**

	<b>Adjustment Budget year 2017/18</b>	<b>Budget year 2018/2019</b>	<b>Budget year +1 2019/2020</b>	<b>Budget year +2 2020/2121</b>
<b>Total Operating Revenue</b>	R 90 782	R 97 467	R 104 066	R 104 864
<b>Total Operating Expenditure</b>	R 90 655	R 97 319	R 103 253	R 104 157
<b>Surplus</b>	<b>R 127</b>	<b>R 148</b>	<b>R 813</b>	<b>R 707</b>
<b>Total Capital Expenditure</b>	R 35 299	R 17 275	R 22 606	R 49 505

Total operating revenue has grown by 7.3% from R 90 782 million in the 2017/18 financial year to R 97 467 in the 2018/19 financial year. For the two outer years, operational revenue will increase by 4.2% and by 7.04% respectively, equating to a total revenue growth of R 14,000 million over the MTREF when compared to the 2017/18 financial year adjusted budget.

Total operating expenditure for the 2018/19 financial year has been appropriated at R 97 319 million and translates into a budgeted surplus of R 17 275 million after taking into consideration capital transfer and subsidies and internally funded assets. When compared to the 2017/18 Adjustments Budget, operational expenditure has grown by 7% in the 2018/19 budget. The surplus will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The budget for Kgatelopele Local Municipality amounts to approximately R 114 741 million. This constitutes R17 275 million for capital expenditure and R 97, 319 million for operating expenses.



#### **4. OPERATING REVENUE FRAMEWORK**

For Kgatelopele Local Municipality to continue improving the quality of life of its communities through the delivery of quality services, it is necessary to generate sufficient revenue from rates and service charges. It is also important to ensure that all billable revenue is firstly correctly charged and secondly adequately collected. The prevailing economic circumstances are adding to the difficulties in collecting the revenue due to the municipality and additional savings initiatives will need to be implemented in the MTREF to ensure the financial sustainability of the municipality. The expenditure required to address the needs of the community will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Revenue enhancement and maximizing the revenue base;
- Efficient revenue management, which aims to ensure a minimum 80.0% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Moving towards cost reflective tariff increases for water, sanitation and refuse collection;
- Budgeting for a moderate surplus to ensure availability of cash reserves to back statutory funds and provisions.
- Fully subsidizing all indigent households in terms of the relief offered by the municipality
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates
- Act, 2004 (Act 6 of 2004) (MPRA); Increased pressure to deliver and maintain services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality

The following table is a summary of the 2018/19 MTREF (classified by main revenue source

**Table 2 Summary of revenue classified by main revenue source**

NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	9,194	8,007	6,534	14,165	13,620	13,620	–	14,966	16,466	16,348
Service charges - electricity revenue	2	31,941	16,965	18,794	22,411	27,270	27,270	–	28,967	29,951	26,647
Service charges - water revenue	2	–	6,017	5,894	7,921	8,789	8,789	–	7,415	8,390	8,870
Service charges - sanitation revenue	2	–	3,059	10,974	4,324	3,145	3,145	–	3,672	4,589	4,854
Service charges - refuse revenue	2	–	4,585	450	6,169	4,322	4,322	–	5,930	6,537	6,913
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		235	159	182	137	1,751	1,751	–	404	427	451
Interest earned - external investments		102	234	376	216	216	216	–	526	556	587
Interest earned - outstanding debtors		254	606	91	175	219	219	–	284	300	318
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		8	20	18	1,018	500	500	–	1,018	1,076	1,133
Licences and permits		–	–	–	53	53	53	–	124	188	93
Agency services		717	2,494	1,093	700	700	700	–	956	1,010	1,068
Transfers and subsidies		21,405	24,096	20,224	23,042	23,191	23,191	–	23,549	24,103	26,513
Other revenue	2	421	242	5,783	2,981	6,704	6,704	–	9,366	10,167	10,746
Gains on disposal of PPE		–	–	–	300	300	300	–	291	307	324
Total Revenue (excluding capital transfers and contributions)		64,277	66,484	70,413	83,614	90,781	90,781	–	97,467	104,066	104,864

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. The increase in revenue of 5.3 per cent represents the tariff increase for rates, water, sanitation and refuses revenue, with an increase in 6.84% for electricity. Rates and service charge revenues comprise 62.5% of the total operating revenue mix, R 60 950 million anticipated in the 2018/19 financial year.

The second largest source is operational grants from national and provincial government, after service charges, property rates is the third largest revenue source which has shown growth over the MTREF, followed by 'other revenue' which consists of various items such

as income received from permits and licenses, building plan fees, connection fees, advertisement fees etc. Departments delivering these services have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

### **3. Table 3 – Operational and Capital grants**

***Below are all the operating and capital grants from provincial and national treasury the municipality will be receiving.***

- Equitable share – R 20 465 000
- Finance Management Grant – R2 415 000
- Water Services Infrastructure Grant – R 5 000 000
- Municipal Infrastructure Grant (MIG)- R7 975 000
- Library – R 655 000
- INEP – R 2 700 000

As the municipality is facing serious cash flow constraints, the decrease in grant funding such as the Library grants presents additional pressure on a struggling municipality like Kgatelopele Local Municipality.

#### **4. Tariff Setting and Tariff Implications of the Annual Budget**

Tariff-setting is a pivotal and strategic part of the compilation of any budget.

When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges within CPI. Municipalities should justify in their budget documentation all increases in excess of the CPI upper boundary of the South African Reserve Bank's inflation target. Circular 72 stated that, if municipalities continue to act in this manner that increase tariff above inflation, the National Treasury will have no other option but to set upper limits of tariff increases for property rates and service charges to which municipalities will have to conform.

Excessive increases are likely to be counterproductive to economic growth and development, resulting in higher levels of non-payment. The 6.84 percent increases in the average Eskom bulk purchase price as indicate on NERSA consultation paper on tariff benchmarking.

Other factors contributing to the rising cost include the anticipated collectively agreed upon wage increase which is above upper boundary, the excessive increase in the price of petrol and diesel as well as chemicals, spares and other materials that collectively contribute to the extent that tariffs need to be increased annually.

##### **4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. This is the last year of the current valuation roll, the assessment rates decrease yearly, the upward adjustment in revenue can mainly be ascribed to the changing in a variety of categories. A moderate, below inflation increase of 5.3% in the assessment rates tariff is none the less proposed for the 2018/2019 financial year.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is exempted from the rate-able value (Section 17(h) of the MPRA). Additionally, the Municipality also further provide for residential properties an R 25 000 as non-ratable, therefore the total non-ratable value for residential properties is R 40 000.
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy, based on the maximum usage as contained in the policy.
- The Municipality may also award a 100% rebate on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work and public benefit organizations as defined in the property rates policy of the municipality. The owner of such a property must apply to the Chief Financial Officer in the prescribed format and at the prescribed date in order to qualify for the relief.
- Property rates for agricultural purpose increased drastically in the past two years due to a system error, in the 2018/19 financial year, a rebate will be instated for property rates for agricultural purpose only, at a 60 % rate.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 5.3% increase from 1<sup>st</sup> July 2018 is contained below:

**Table 4 Comparison of 2017/2018 levied to proposed rates for 2018/19**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2018/2019						
		UNIT	KGATELOPELE			
			Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2017/2018 (Excl VAT) R c	Tariff 2017/2018 (Inc VAT) R c	Tariff 2018/2019 (Excl VAT) R c	Tariff 2018/2019 (Inc VAT) R c
PROPERTY RATES						
Residential properties		Stand	0.0094		0.0099	
Industrial Properties		Stand	0.0188		0.0198	
Business & Commercial Properties		Stand	0.0141		0.0149	
Farm Properties used for:			0.0000		0.0000	
Agricultural purpose		Farm	0.0024		0.0025	
Business & commercial purpose		Farm	0.0301		0.0317	
Residential purpose		Farm	0.0301		0.0099	
Other purpose		Farm	0.0301		0.0317	
Farm Properties not used for any purpose		Farm	0.0301		0.0317	
State owned properties		Stand	0.0075		0.0079	
Municipal properties - Exempted		Stand	0.0000		0.0000	
Public Service Infrastructure - Exempted		Stand	0.0000		0.0000	
Privately owned towns serviced by the owner		Stand	0.0075		0.0079	
Formal & informal Settlements		Stand	0.0000		0.0000	
Blocks of Flats			0.0094		0.0099	
Mining			0.0188		0.0198	
Churches - Exempted			0.0000		0.0000	
Small Holdings		Stand	0.0075		0.0079	

## 4.2 Sale of Water and Impact of Tariff Increase

Parts of South Africa has been declared disaster areas due to drought, with water being a scarce resource, Kgatelopele Local Municipality strives in trying to curb water losses and ensuring there is sufficient water supply for its residence. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective, which Kgatelopele Local Municipality is working towards. South Africa is in the midst of its worst drought in at least two decades, threatening

agricultural output and pushing up food prices. In the 2016/17 financial year, Kgatelopele Local Municipality concluded the bulk water project that for the construction of a water reservoir. However, maintenance of infrastructure and cost-reflective tariffs will ensure that the supply is managed in future to ensure sustainability.

Proposed tariff increases as from 1 July 2018 are indicated in Table 6. The 6 kℓ free water per 30-day period has since 2014 only been granted to registered indigents

A summary of the proposed tariffs for households (residential) are as follows:

**Table 5 Proposed Water Tariffs**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2018/2019						
		UNIT	KGATELOPELE			
			Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2017/2018 (Excl VAT) R c	Tariff 2017/2018 (Inc VAT) R c	Tariff 2018/2019 (Excl VAT) R c	Tariff 2018/2019 (Inc VAT) R c
<b>WATER</b>						
<b>Domestic households</b>						
<u>Tariffs Applied for:</u>						
Block 1 (0-6 kl) 6	1+	kL	6.4790	7.3860	6.8224	7.8457
Block 2 (7.-25 kl) 18	1 +	kL	7.2601	8.2765	7.6448	8.7916
Block 3 (26 - 50 kl) 24	1+	kL	8.3356	9.5026	8.7774	10.0940
Block 4 (>51 kl)	1+	kL	9.9105	11.2980	10.4358	12.0012
Basic Charge (inclusive of basic charge per borehole)		Stand	80.9873	92.3256	85.2797	98.0716
Basic Charge (Indigents) (0-6 kl)	0 - 6 kL Free	Stand				
Basic Charge (Vacant)		Stand	242.9748	276.9913	255.8525	294.2304
<b>Business</b>						
<u>Tariffs Applied for:</u>						
Block 1 (0-6 kl)	1+	kL	8.1051	9.2399	8.5347	9.8149
Block 2 (7.-25 kl)	1 +	kL	9.0783	10.3492	9.5594	10.9933
Block 3 (26 - 50 kl)	1+	kL	10.4099	11.8673	10.9616	12.6059
Block 4 (>51 kl)	1+	kL	12.3818	14.1152	13.0380	14.9937
Basic Charge (inclusive of basic charge per borehole)		Stand	242.9748	276.9913	255.8525	294.2304
Basic Charge (Vacant)		Stand	728.9091	830.9563	767.5412	882.6724
<b>Industrial</b>						
<u>Tariffs Applied for:</u>						
Block 1 (0-6 kl)		kL	9.7313	11.0937	10.2470	11.7841
Block 2 (7.-25 kl)		kL	10.8837	12.4074	11.4605	13.1796
Block 3 (26 - 50 kl)		kL	12.4970	14.2466	13.1594	15.1333
Block 4 (>51 kl)		kL	14.8658	16.9470	15.6537	18.0018
Basic Charge (inclusive of basic charge per borehole)		Stand	242.9748	276.9913	255.8525	294.2304
Basic Charge (Vacant)		Stand	728.9117	830.9593	767.5440	882.6756
<u>Tanker:</u>						
12 000 lt Water tanker		km	As per AA Tariffs	As per AA Tariffs	As per AA Tariffs	As per AA Tariffs
Plus per 12kl		kL	82.4598	94.0042	86.8302	99.8547
6 000 lt Water tanker		km	As per AA Tariffs	As per AA Tariffs	As per AA Tariffs	As per AA Tariffs
Plus per 6kl		kL	38.8995	44.3455	40.9612	47.1054

The tariff structure of the 2016/17 financial year has not been changed

In the fight to assist our community, to assist indigents to better manage their accounts, the municipality will be introducing prepaid water meters. In the 2018/19 Financial year the municipality will focus on decreasing water losses through installation of prepaid meters. 100 prepaid water meters were piloted in the 2016/17 financial year through a war on leaks project. The success of these water meters has motivated the municipality to roll it out to indigent households first as that is the biggest contributors to the increase in debtors. Indigents will not be disadvantaged by the prepaid water meter as the tap will not run dry at any point. Prepaid water meters will be able to detect when there is a leakage and will assist curb water losses.

### **Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. An 7.32% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1<sup>st</sup> July 2018. Considering the Eskom increases, the consumer tariff had to be increased by 6.84% to offset the additional bulk purchase cost as well as recover the additional cost components such as the increase in the wage bill, general expenditure and increased maintenance and material cost for the 2018/2019 financial year. Considering the increases based on the consultation paper, the overall tariffs will be adjusted to 6.84%, for units' consumption.

The previous years above average increase in electricity prices may result in a downward trend in the average consumption patterns of consumers in an attempt to mitigate the effect of the increased cost of electricity resulting in a negative impact on the municipal electricity revenue.

Registered indigents as well as sub-economic consumers will again be granted 50 kWh per month free of charge.

The following table shows the impact of the proposed increases in electricity tariffs for domestic consumers:



**Table 6 Comparison between current electricity charges and increases (Domestic)**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2018/2019						
			KGATELOPELE			
			Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2017/2018 (Excl VAT) R c	Tariff 2017/2018 (Inc VAT) R c	Tariff 2018/2019 (Excl VAT) R c	Tariff 2018/2019 (Inc VAT) R c
ELECTRICITY						
Domestic Households (Prepaid)						
Tariffs Applied for:						
Block 1 (0-50 kWh)	1+	kWh	0.8507	0.9698	0.9089	1.05
Block 2 (51-350 kWh)	1+	kWh	1.0931	1.2461	1.1678	1.34
Block 3 (351-600 kWh)	1+	kWh	1.5491	1.7660	1.6551	1.90
Block 4 (>600 kWh)	1+	kWh	1.8196	2.0743	1.9441	2.24
Basic Charges		Per Meter	16.4305	18.7308	17.5544	20.19
Basic Charges (Indigent) - Only for first prepaid meter 0 kWh free unit		Per Meter	FREE	FREE	FREE	FREE
Basic Charges (Indigent) - Second, third ,etc. prepaid meter No free units		Per Meter	16.4366	18.7378	17.5609	20.20
					0.0000	-
Domestic Households (Conventional)					0.0000	-
Tariffs Applied for:					0.0000	-
Block 1 (0-50 kWh)	1+	kWh	0.8507	0.9698	0.9089	1.05
Block 2 (51-350 kWh)	1+	kWh	1.0931	1.2461	1.1678	1.34
Block 3 (351-600 kWh)	1+	kWh	1.5491	1.7660	1.6551	1.90
Block 4 (>600 kWh)	1+	kWh	1.8196	2.0743	1.9441	2.24
Basic Charge		Stand	222.4424	253.5843	237.6574	273.31
					0.0000	-
Basic Charge on Vacant Stands		Stand	309.0343	352.2991	330.1722	379.70
					0.0000	-
Business (Commercial)					0.0000	-
Business Prepaid Single Phase	1 +	kWh	1.8934	2.1584	2.0229	2.33
Business Prepaid Three Phase	1+	kWh	1.8934	2.1584	2.0229	2.33
Business Conventional Single Phase	1+	kWh	1.7510	1.9961	1.8707	2.15
Business Conventional Three Phase	1+	kWh	1.7510	1.9961	1.8707	2.15
Basic charge Conventional		Stand	246.7276	281.2695	263.6038	303.14
Basic charge Prepaid		Per Meter	246.7276	281.2695	263.6038	303.14
Basic Charge on Vacant Stands		Stand	725.9663	827.6016	775.6224	891.97
					0.0000	-
Industrial					0.0000	-
Energy	1 +	kWh	1.6598	1.8921	1.7733	2.04
Demand KVA Meters (per KVA)	1 +	KVA	152.2304	173.5426	162.6429	187.04
Basic Charge Conventional & Prepaid		Stand	524.8789	598.3619	560.7806	644.90
Basic Charge on Vacant Stands		Stand	725.9663	827.6016	775.6224	891.97
Schools						
Energy	1 +	kWh	1.5474	1.7640	1.6532	1.90
Basic Charge Conventional		Stand	222.4424	253.5843	237.6574	273.31
Basic Charge Prepaid		Per Meter	221.1198	252.0765	236.2444	271.68
					0.0000	-
Temporary Connections	1 +	kWh	113.1032	128.9376	119.0977	136.96
					0.0000	-
Re-Connection Fee (Conventional Meters)		Normal	681.3324	776.7189	717.4430	825.06
		Urgent	742.0017	845.8819	781.3278	898.53
		After hours	927.7335	1,057.6162	976.9034	1,123.44
Re-Connection Fee (Prepaid Meters)		Indigent	93.3341	106.4009	98.2808	113.02
		Normal	140.0011	159.6013	147.4212	169.53
		Business	933.3302	1,063.9964	982.7967	1,130.22
Installation Test Meter		Installation	187.1257	213.3233	197.0433	226.60
Replacement Padlocks - Cost + 15%		Padlock		COST + 15%	0.0000	COST + 15%
New Electricity Conventional Meter Installation - Single Phase		Connection	0.0000	COST + 15%	0.0000	COST + 15%
New Electricity Conventional Meter Installation - Three Phase		Connection	0.0000	COST + 15%	0.0000	COST + 15%
Prepaid Meter Installation Fee		Connection	0.0000	COST + 15%	0.0000	COST + 15%
Extra Meter Readings			187.1257	213.3233	197.0433	226.60
Wiring Inspection Fees		Inspection	503.2082	573.6573	529.8782	609.36
Conversion from Conventional Meter to Prepaid Meter	Single Phase	Conversion	1,292.6642	1,473.6372	1361.1754	1,565.35
Conversion from Conventional Meter to Prepaid Meter	Three Phase	Conversion	3,135.3420	3,574.2899	3301.5151	3,796.74
Moving a prepaid meter from one unit to another	gcx					
Tampering Fee (First offence) + Average consumption for 12 months		Fine	569.2400	648.9336	599.4097	-
Tampering Fee (Second offence, etc.)		Fine	7,192.6425	8,199.6124	7573.8525	-

The stepped tariff for electricity as previously proposed by NERSA has continued. Tariffs have been adjusted to 6.84%, for units' consumption across the different brackets of the sliding scale. The municipality will maintain the current stepped structure for the electricity tariffs.

The reduced tariffs for prepaid meters, compared to conventional meters, will continue as in the past.

The challenge regarding the inadequate electricity bulk capacity in the Kgatelopele Local Municipality area and the impact on service delivery and development still persists and is a focus area the municipality is working on addressing. In the 2018/19 financial year the municipality has secured funds to increase its current bulk supply from Eskom by upgrading from 5MVA to 10MVA. In the fight to decrease tempering and electricity losses, Kgatelopele Local Municipality removed the fine for tempering/bridging of electricity and replace it with a theft case being opened at the local police station.

### **Sanitation and Impact of Tariff Increases**

A tariff increases of 5.3 per cent for sanitation is proposed from 1<sup>st</sup> July 2018.

This is based on tariff increases related to inflation increases as mentioned earlier in this report. The municipality embarked on capital project to upgrade the sewage system in the 2016/2017 financial year which will continued in the 2017/2018 financial year, through grant funding. The anticipated completion of this project is in 2018/19 financial year, which includes the rehabilitation of existing oxidation ponds. This will ensure the municipality improves on the delivery of the service and reducing the number of septic tanks that need suction on a regular basis.

The following factors inform the proposed tariffs:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Tariff structure comparability research was undertaken by the Infrastructure & Planning directorate, where it was found that the current tariff structure compares very favourably, towards the consumer, against tariff structures locally and international; and
- Free sanitation will be applicable to registered indigents.

The following table compares the current and proposed tariffs:

**Table 7 Comparison between current sanitation charges and increases**

KGATELOPELE LOCAL MUNICIPALITY						
TARIFFS 2018/2019						
		UNIT	KGATELOPELE			
			Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2017/2018 (Excl VAT) R c	Tariff 2017/2018 (Inc VAT) R c	Tariff 2018/2019 (Excl VAT) R c	Tariff 2018/2019 (Inc VAT) R c
SEWERAGE						
Residential / Government / Churches / PBO		Point	128.9395	146.9911	135.7733	156.1393
Flats		Unit	128.9395	146.9911	135.7733	156.1393
Business / Guesthouses / Hotels / Industrial	The Greater of Per 100m <sup>2</sup>	100m <sup>2</sup>	220.6552	251.5469	232.3499	267.2024
	or	Point	220.6552	251.5469	232.3499	267.2024
	or	Unit	220.6552	251.5469	232.3499	267.2024
Septic Tank		per month	128.9395	146.9911	135.7733	156.1393
		ad-hoc	407.1775	464.1823	428.7579	493.0716
Sewerage Connection New		Connection	COST + 15 %	COST + 15 %	COST + 15 %	COST + 15 %

### Waste Removal and Impact of Tariff Increases

Services relevant to refuse removal, refuse dumps and solid waste disposal mechanisms must comply with stringent legislative requirements such as the National Environmental Management: Waste Act, No 59 of 2008. This service will receive further revision of the solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

An increase of 5.3 per cent in the waste removal tariff is proposed from 1 July 2018. Higher increases are not viable at this stage owing to the increases implemented in preceding financial years to ensure sustainability of this service.

In the 2017/18 financial year the municipality took a decision to insource the bulk of the outsourced waste management function by procuring refuse truck to do the collection of domestic waste. The management of the landfill site will still be outsourced until the municipality can acquire the required assets such as compactors and front loaders.

The following table compares current and proposed amounts payable from 1 July 2018:

**Table 8 Comparison between current waste removal fees and increases**

KGATELOPELE LOCAL MUNICIPALITY							
TARIFFS 2018/2019							
			KGATELOPELE				
			UNIT	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent	Rounded off to nearest cent
				Tariff 2017/2018 (Excl VAT) R c	Tariff 2017/2018 (Inc VAT) R c	Tariff 2018/2019 (Excl VAT) R c	Tariff 2018/2019 (Inc VAT) R c
REFUSE REMOVAL							
Basic Charge Residential		Stand	110.1044	125.5190	115.9399	133.3309	
Basic Charge Residential (Indigent)		Stand			0.0000	0.0000	
Basic Charge Business		Stand	232.4497	264.9926	244.7695	281.4849	
Basic Charge Industrial		Stand	232.4497	264.9926	244.7695	281.4849	
Basic Charge Government		Stand	232.4497	264.9926	244.7695	281.4849	
Garden Refuse Removal		Load	136.1069	155.1618	143.3205	164.8186	
Building Rubble		Load	405.2568	461.9928	426.7354	490.7457	
Illegal Dumping			320.1081	364.9232	337.0738	387.6349	
Basic Charge Residential (Vacant)		Stand	330.3259	376.5715	347.8332	400.0082	
Basic Charge Business and Other (Vacant)		Stand	697.3362	794.9633	734.2950	844.4393	
Churches - exempt					0.0000	0.0000	

Churches and indigents remain except from refuse charges.

## 5. OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- Balanced budget constraint (cash operating expenditure should not exceed cash operating revenue) unless there are sound reasons for utilising existing uncommitted cash-backed reserves to fund any deficit;
- The repairs and maintenance plan relating to the asset management strategy;
- Funding of the budget over the MTREF as informed by Section 18 and 19 of the MFMA;
- Very limiting growth in the personnel structure;
- Reducing expenditure on non-core programmes;
- Implementing operational gains and efficiencies;
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation will be made; and
- Taking cognisance of cost containment guidelines and assessing the status of current measures

The following table is a high-level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

**Table 9 Summary of operating expenditure by functional classification item**

**NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>	<b>1</b>										
<b>Expenditure By Type</b>											
Employee related costs	2	18,246	21,023	23,802	28,308	26,194	26,194	-	31,510	32,584	33,479
Remuneration of councillors		2,192	2,481	2,197	2,348	2,285	2,285		2,540	2,641	2,826
Debt impairment	3	10,321	-	12,011	5,774	5,774	5,774		5,774	6,103	6,451
Depreciation & asset impairment	2	12,858	3,280	13,424	9,018	9,018	9,018	-	10,276	10,862	12,274
Finance charges		210	66	403	-	-	-	-	-	-	-
Bulk purchases	2	13,716	15,204	17,473	17,423	22,133	22,133	-	23,190	25,512	25,982
Other materials	8	1,518	1,516	-	2,069	3,556	3,556		5,027	4,278	4,663
Contracted services		3,191	2,370	1,814	6,328	6,328	6,328	-	5,099	4,731	4,101
Transfers and subsidies		7,699	3,394	3,977	-	-	-	-			
Other expenditure	4, 5	14,823	14,652	11,880	12,055	15,415	15,415	-	13,903	16,542	14,380
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>84,774</b>	<b>63,986</b>	<b>86,981</b>	<b>83,323</b>	<b>90,703</b>	<b>90,703</b>	<b>-</b>	<b>97,319</b>	<b>103,253</b>	<b>104,157</b>

The budgeted allocation for employee related costs and remuneration of councillors for the 2018/19 financial year totals R34 049 million which equals 35 per cent of the total operating expenditure and within the NT norm of 25 – 40 per cent. A three-year collective SALGBC salary agreement that came into effect on 1 July 2015 will be ending June 2018. The process is still under consultation for the next three years starting 1 July 2018. This salary determination and annual notch increases for qualifying personnel have been factored into the budget for the 2018/19 financial year at 6.3%, which is the CPI of 5.3% plus 1 %.

Total remuneration for library services for the 2018/19 financial year is R 1 038 288. The library services at the municipality is 100% grant funded, however, due to the decrease in allocation from provincial treasury for the 2018/19 financial year the municipality will only receive R 655 000, which will be committed to the salaries of the staff under library services. There is a shortfall of R 383 228 which the municipality will have to include under its own operating budget.

As part of the Municipality's cost reprioritisation and cash management strategy vacancies have been significantly rationalised downwards. In order to ensure economic viability and to not overstretch the already limited financial resources, cash management this percentage of employee related cost in relation to total budget need to be maintained at less than 40%. Only the positions that are critical for service delivery and effective and

efficient administration must be budgeted for the 2018/19 financial year. These positions in finance, technical and cooperate services mainly where work that is currently done by consultants or service providers to build internally capacity. The latter is in line with National Treasury advocacy on use of external service providers.

The review of the organogram has been done for the 2018/19 financial year, where the director cooperate service and been amalgamated with the director finance.

New regulations have been promulgated, which regulations provide for the Minister of Co-operative Governance to determine the total remuneration packages payable to any new employees to the posts of Municipal Manager and Section 57 Employees (Directors), with effect from 1 July 2014. Remuneration of section 57 managers has been budgeted in accordance to the gazette number 41173 issued 10<sup>th</sup> October 2017.

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). Remuneration for councillors is as per the gazette number 41335 issued 15<sup>th</sup> December 2017.

The provision of debt impairment and write-off of bad debts for consumer accounts has been determined based on the Debt Write-off Policy of the Municipality. For the 2018/19 financial year this amount equates to R 5 773 805.76. No write off were done in the current financial year. The policy review in April will provide guidance to the write off which the municipality intends on doing in the 2018/19 financial year.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R 10 276 406.00 for the 2018/19 financial year and equates to 11% of the total operating expenditure.

There are no finance charges for the 2018/2019 financial year, the municipality does not have any current borrowings and does not plan on taking on any loan for the 2018/2019 financial year.

Bulk purchases equate to 23.82 % of the total expenditure and are directly informed by the purchase of electricity from Eskom and the increase on bulk supply as per NERSA. The expenditures accounts for distribution losses.

Other materials comprise of amongst others the purchase of materials and spares for maintenance, cleaning materials and chemicals. In line with Kgatelopele Local Municipality's repairs and maintenance priorities this group of expenditure has been prioritized to ensure sustainability of Kgatelopele Local Municipality's infrastructure. Sewage section remains the highest contributor to repair and maintenance expenditure, with the upgrading of the sewage network this should decrease the cost of repairs and maintenance in that section.

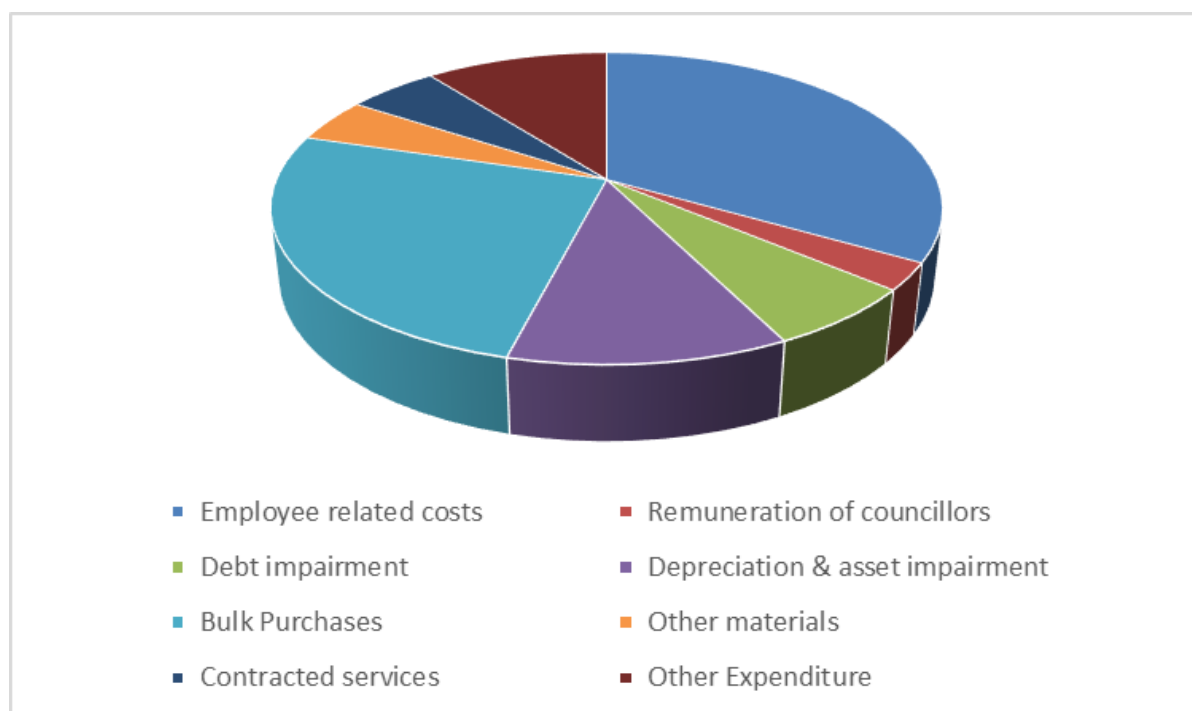
For 2018/19 the appropriation against this group of expenditure, repairs and maintenance, equates to 5.2 %. The increase can also be attributed to the prepaid water project the municipality is undertaking in decreasing water losses and better managing of indigent accounts. Installation of prepaid water meters will ensure that the municipality's accounts are more credible in terms of the water meter readings. A pilot project was rolled out in the 2016/17 financial year where 100 prepaid meters were introduced. For the 2018/18 financial year the focus will be on indigents first, this will ensure that their account remain at zero each month after the subsidy is applied.

Contracted services relate to the provision of services by means of the appointment of service providers where the necessary in-house skills are not available or have not yet been adequately developed. Certain functions also require the contracting of specialist knowledge contracted from time to time due to the fact that the municipality cannot afford to employ experts on a full-time basis. Contracted services have been identified as an area for the municipality to implement efficiencies. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated, and operational efficiencies are being enforced. In the 2018/19 financial year, this group of expenditure totals R 4.7million, which equate to 5.05% of total operating budget which is less than the 7.59 % of the total operating budget in the 2017/18 financial period. The decrease in the total for contracted services is due to the municipality insourcing part of the refuse management functions.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The decrease in other expenditure due to the implementation of cost containment, in line with circular 82, other expenditure amounts to 10.12% % for the 2018/19 financial year.



The following graph gives a breakdown of the main expenditure categories for the 2018/19 financial year.



## 2.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2018/19 budget and MTREF provide for continuing in the area of asset maintenance, as informed by the asset maintenance strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance.

Kgatelopele Local Municipality had an increase in repairs and maintenance in the 2017/18 financial year, which is the bases of the 2018/19 financial year's plan to be more proactive in how we maintain and service our assets. This will decrease costs and turnaround time for the municipality to be able to provide services to the community, instead of being reactive and constantly being in crisis mode.

**Table 10 Operational repairs and maintenance**

NC086 Kgatelopele - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and Maintenance	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		1,518	1,516	-	2,069	3,552	3,552		5,027	5,298	5,590
<b>Total Repairs and Maintenance Expenditure</b>	9	1,518	1,516	-	2,069	3,552	3,552	-	5,027	5,298	5,590

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure. As part of the 2018/19 MTREF this strategic imperative remains a priority.

## **2.2 Free Basic Services: Basic Social Services Package**

The social package assists households that are indigent/poor or face other circumstances that limit their ability to pay for services. To receive these free/subsidised services the households are required to register in terms of the Municipality's Indigent Policy. The budgeted indigent households for 2018/19 is estimated at 1500 and will be reviewed monthly.

The following is an extract from NT Budget Circular 85:

*"The change in the treatment of cost of free basic services indicates that municipalities must not disclose the support to indigents on table SA21 "Transfers and grants."*

The implication of this is explained elsewhere in this report.

The cost of the social package of the registered indigent households is fully covered by the local government equitable share received in terms of the annual Division of

Revenue Act and that portion relating to a specific service has been apportioned as revenue to that specific service.

## 6. CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote and functional area:

**Table 11 2018/19 Medium-term capital budget per vote**

NC086 Kgatelopele - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	512	-	565	665	665	-	1,200	-	-
Executive and council		-	-	-	500	500	500	-	500	-	-
Finance and administration		-	512	-	65	165	165	-	700	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		9,551	-	-	-	-	-	-	400	-	-
Community and social services		9,551	-	-	-	-	-	-	400	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	22,140	-	13,299	3,940	3,940	-	15,675	22,606	49,505
Energy sources		-	16,403	-	1,000	1,000	1,000	-	2,700	1,920	1,280
Water management		-	5,737	-	4,200	200	200	-	5,000	-	-
Waste water management		-	-	-	8,099	-	-	-	7,975	8,042	8,225
Waste management		-	-	-	-	2,740	2,740	-	-	12,644	40,000
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	9,551	22,652	-	13,864	4,605	4,605	-	17,275	22,606	49,505

For 2018/19 an amount of R 15, 675 million has been appropriated for the development of infrastructure which represents 90.73 per cent of the total capital budget of R 17,275 million. In the outer years this amount totals R 22,606 million and R 49,505million, respectively for each of the outer financial years.

SA34a, b, c & e provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken during 2018/19 includes:

1. Establishment of solid waste site
2. Replacement of asbestos pipes
3. Augmentation of electrical network

### ***3.2 Future operational cost of new infrastructure***

Furthermore, a long term financial plan implementation policy has been developed to encompass costs over the long term. It needs to be noted that as part of the 2018/19 MTREF, this expenditure has been factored into the two outer years of the operational budget.

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## ANNUAL BUDGET TABLES

The following twenty pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 annual budget and MTREF to be approved and/or noted by the Council. Each table is accompanied by explanatory notes on the facing page.

**Table 12 MBRR Table A1 - Budget Summary**

**NC086 Kgatelopele - Table A1 Budget Summary**

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	9,194	8,007	6,534	14,165	13,620	13,620	-	14,966	16,466	16,348
Service charges	31,941	30,626	36,112	40,825	43,526	43,526	-	45,984	49,468	47,284
Investment revenue	102	234	376	216	216	216	-	526	556	587
Transfers recognised - operational	21,405	24,096	20,224	23,042	23,191	23,191	-	23,549	24,103	26,513
Other own revenue	1,635	3,521	7,167	5,364	10,227	10,227	-	12,442	13,474	14,132
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>64,277</b>	<b>66,484</b>	<b>70,413</b>	<b>83,612</b>	<b>90,780</b>	<b>90,780</b>	<b>-</b>	<b>97,467</b>	<b>104,066</b>	<b>104,864</b>
Employee costs	18,246	21,023	23,802	28,308	26,194	26,194	-	31,510	32,584	33,479
Remuneration of councillors	2,192	2,481	2,197	2,348	2,285	2,285	-	2,540	2,641	2,826
Depreciation & asset impairment	12,858	3,280	13,424	9,018	9,018	9,018	-	10,276	10,862	12,274
Finance charges	210	66	403	-	-	-	-	-	-	-
Materials and bulk purchases	15,234	16,720	17,473	19,492	25,689	25,689	-	28,217	29,790	30,645
Transfers and grants	7,699	3,394	3,977	-	-	-	-	-	-	-
Other expenditure	28,335	17,022	25,705	24,157	27,517	27,517	-	24,776	27,376	24,932
<b>Total Expenditure</b>	<b>84,774</b>	<b>63,986</b>	<b>86,981</b>	<b>83,323</b>	<b>90,703</b>	<b>90,703</b>	<b>-</b>	<b>97,319</b>	<b>103,253</b>	<b>104,157</b>
<b>Surplus/(Deficit)</b>	<b>(20,497)</b>	<b>2,498</b>	<b>(16,568)</b>	<b>289</b>	<b>77</b>	<b>77</b>	<b>-</b>	<b>148</b>	<b>813</b>	<b>707</b>
Transfers and subsidies - capital (monetary allocation)	10,231	16,848	16,440	12,099	35,314	35,314	-	15,675	22,606	49,505
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(10,266)</b>	<b>19,346</b>	<b>(128)</b>	<b>12,388</b>	<b>35,391</b>	<b>35,391</b>	<b>-</b>	<b>15,823</b>	<b>23,419</b>	<b>50,212</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(10,266)</b>	<b>19,346</b>	<b>(128)</b>	<b>12,388</b>	<b>35,391</b>	<b>35,391</b>	<b>-</b>	<b>15,823</b>	<b>23,419</b>	<b>50,212</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>9,551</b>	<b>22,652</b>	<b>-</b>	<b>13,864</b>	<b>4,605</b>	<b>4,605</b>	<b>-</b>	<b>17,275</b>	<b>22,606</b>	<b>49,505</b>
Transfers recognised - capital	9,551	22,651	-	12,099	35,314	35,314	-	15,675	22,606	49,505
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	1,765	4,605	4,605	-	1,600	-	-
<b>Total sources of capital funds</b>	<b>9,551</b>	<b>22,651</b>	<b>-</b>	<b>13,864</b>	<b>39,919</b>	<b>39,919</b>	<b>-</b>	<b>17,275</b>	<b>22,606</b>	<b>49,505</b>

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's service delivery and commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive and stable indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that the cash increases over the MTREF.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

**Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification)**

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification) - mSCOA – Function/Sub Function**

**NC086 Kgatelopele - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

Functional Classification Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		32,337	35,665	32,923	37,975	44,952	44,952	47,453	49,629	52,458
Executive and council	43	–	–	733	117	117	117	101	107	113
Finance and administration		32,294	35,665	32,189	37,857	44,835	44,835	47,353	49,493	52,314
Internal audit		–	–	–	–	–	–	–	29	31
<b>Community and public safety</b>		–	–	–	–	–	–	698	950	1,005
Community and social services		–	–	–	–	–	–	43	46	49
Sport and recreation		–	–	–	–	–	–	655	904	956
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>		–	922	1,111	2,871	2,254	2,254	2,197	4,019	4,117
Planning and development		–	–	–	1,153	1,053	1,053	224	193	204
Road transport		–	922	1,111	1,718	1,200	1,200	1,973	3,826	3,913
Environmental protection		–	–	–	–	–	–	–	–	–
<b>Trading services</b>		42,172	51,947	52,816	54,867	60,875	60,875	47,118	49,468	47,284
Energy sources		31,941	18,314	19,208	23,317	27,270	27,270	29,174	29,951	26,647
Water management		10,231	23,292	6,308	11,971	12,839	12,839	7,570	8,390	8,870
Waste water management		–	4,408	26,850	13,410	16,444	16,444	6,022	4,589	4,854
Waste management		–	5,933	450	6,169	4,322	4,322	4,352	6,537	6,913
<b>Other</b>	4	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>	2	74,509	88,533	86,850	95,713	108,080	108,080	97,467	104,066	104,864
<b>Expenditure - Functional</b>	-									
<b>Governance and administration</b>		67,104	26,655	36,093	45,351	45,342	45,342	40,812	44,511	47,626
Executive and council		5,294	10,862	8,519	8,424	7,659	7,659	8,674	9,207	9,851
Finance and administration		61,810	15,793	27,574	36,927	37,683	37,683	31,853	35,003	37,453

Internal audit		–	–	–	–	–	–	285	301	322
<b>Community and public safety</b>		<b>603</b>	<b>–</b>	<b>5,887</b>	<b>1,894</b>	<b>2,627</b>	<b>2,627</b>	<b>3,613</b>	<b>3,226</b>	<b>3,442</b>
Community and social services		–	–	–	1,171	1,755	1,755	2,396	2,534	2,710
Sport and recreation		603	–	5,887	723	872	872	1,218	692	732
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>		<b>1,220</b>	<b>3,002</b>	<b>–</b>	<b>8,802</b>	<b>9,429</b>	<b>9,429</b>	<b>7,413</b>	<b>8,597</b>	<b>5,992</b>
Planning and development		1,220	–	–	7,522	8,162	8,162	5,798	4,904	4,166
Road transport		–	3,002	–	1,280	1,267	1,267	1,615	3,693	1,826
Environmental protection		–	–	–	–	–	–	–	–	–
<b>Trading services</b>		<b>15,351</b>	<b>33,754</b>	<b>49,206</b>	<b>27,277</b>	<b>33,256</b>	<b>33,256</b>	<b>45,481</b>	<b>46,920</b>	<b>47,142</b>
Energy sources		5,490	19,788	18,607	19,599	26,289	26,289	31,010	31,625	30,773
Water management		2,242	1,691	9,746	1,931	2,224	2,224	4,904	5,183	5,546
Waste water management		2,211	5,896	9,746	2,917	3,290	3,290	4,747	5,017	5,368
Waste management		5,408	6,379	11,107	2,830	1,453	1,453	4,820	5,095	5,455
<b>Other</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>84,278</b>	<b>63,411</b>	<b>91,186</b>	<b>83,324</b>	<b>90,654</b>	<b>90,654</b>	<b>97,319</b>	<b>103,254</b>	<b>104,157</b>
<b>Surplus/(Deficit) for the year</b>		<b>(9,769)</b>	<b>25,122</b>	<b>(4,336)</b>	<b>12,389</b>	<b>17,426</b>	<b>17,426</b>	<b>148</b>	<b>813</b>	<b>707</b>

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification. The modified GFS functional classification, now Function/Sub Function, divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised: capital) and so does not balance to the operating revenue shown on Table A4.



**Table 14 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

**NC086 Kgatelopele - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description  R thousand	R ef	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>	1									
Vote 1 - EXECUTIVE AND COUNCIL		43	–	733	117	117	117	101	107	114
Vote 2 - MUNICIPAL MANAGER		–	–	–	–	–	–	54	57	61
Vote 3 - CORPORATE SERVICES		–	23,071	–	–	–	–	655	692	741
Vote 4 - BUDGET AND TREASURY		32,294	35,665	32,189	37,857	44,835	44,835	47,298	49,994	53,494
Vote 5 - TECHNICAL SERVICES		42,172	51,947	52,817	42,768	43,575	43,575	49,216	53,065	50,292
Vote 6 - COMMUNITY AND PUBLIC SERVICES		–	922	1,111	2,871	2,254	2,254	143	151	162
Vote 7 -		–	–	–	–	–	–	–	–	–
Vote 8 -		–	–	–	–	–	–	–	–	–
Vote 9 -		–	–	–	–	–	–	–	–	–
Vote 10 -		–	–	–	–	–	–	–	–	–
Vote 11 -		–	–	–	–	–	–	–	–	–
Vote 12 -		–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–
<b>Total Revenue by Vote</b>	2	<b>74,509</b>	<b>88,534</b>	<b>86,851</b>	<b>95,713</b>	<b>90,780</b>	<b>90,780</b>	<b>97,467</b>	<b>104,066</b>	<b>104,864</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - EXECUTIVE AND COUNCIL		5,294	10,862	8,519	8,424	7,659	7,659	3,895	4,117	4,405
Vote 2 - MUNICIPAL MANAGER		–	–	–	–	–	–	5,100	5,391	5,768
Vote 3 - CORPORATE SERVICES		603	–	5,887	1,894	2,627	2,627	6,879	7,272	7,781
Vote 4 - BUDGET AND TREASURY		61,810	15,788	27,575	36,927	37,684	37,684	26,236	27,731	29,676
Vote 5 - TECHNICAL SERVICES		15,351	33,753	49,205	27,277	33,257	33,257	51,287	52,611	56,390
Vote 6 - COMMUNITY AND PUBLIC SERVICES		1,220	3,002	–	8,802	9,428	9,428	3,922	4,145	4,436
Vote 7 -		–	–	–	–	–	–	–	–	–
Vote 8 -		–	–	–	–	–	–	–	–	–
Vote 9 -		–	–	–	–	–	–	–	–	–
Vote 10 -		–	–	–	–	–	–	–	–	–
Vote 11 -		–	–	–	–	–	–	–	–	–
Vote 12 -		–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–

Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>84,278</b>	<b>63,405</b>	<b>91,186</b>	<b>83,324</b>	<b>90,655</b>	<b>90,655</b>	<b>97,319</b>	<b>103,253</b>	<b>104,157</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>(9,770)</b>	<b>25,128</b>	<b>(4,335)</b>	<b>12,389</b>	<b>17,427</b>	<b>17,427</b>	<b>148</b>	<b>813</b>	<b>707</b>

### Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote) – mSCOA – Own Segment

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per own segment: municipal vote (directorate). This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

### Table 15 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

#### NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description  R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	9,194	8,007	6,534	14,165	13,620	13,620	-	14,966	16,466	16,348
Service charges - electricity revenue	2	31,941	16,965	18,794	22,411	27,270	27,270	-	28,967	29,951	26,647
Service charges - water revenue	2	-	6,017	5,894	7,921	8,789	8,789	-	7,415	8,390	8,870
Service charges - sanitation revenue	2	-	3,059	10,974	4,324	3,145	3,145	-	3,672	4,589	4,854
Service charges - refuse revenue	2	-	4,585	450	6,169	4,322	4,322	-	5,930	6,537	6,913
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		235	159	182	137	1,751	1,751	-	404	427	451
Interest earned - external investments		102	234	376	216	216	216	-	526	556	587
Interest earned - outstanding debtors		254	606	91	175	219	219	-	284	300	318
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	8	20	18	18	1,018	500	500	-	1,018	1,076	1,133
Licences and permits		-	-	-	53	53	53	-	124	188	93
Agency services		717	2,494	1,093	700	700	700	-	956	1,010	1,068
Transfers and subsidies		21,405	24,096	20,224	23,042	23,191	23,191	-	23,549	24,103	26,513
Other revenue	2	421	242	5,783	2,981	6,704	6,704	-	9,366	10,167	10,746

Gains on disposal of PPE		–	–	–	300	300	300	–	291	307	324
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>64,277</b>	<b>66,484</b>	<b>70,413</b>	<b>83,612</b>	<b>90,780</b>	<b>90,780</b>	<b>–</b>	<b>97,467</b>	<b>104,066</b>	<b>104,864</b>
<b>Expenditure By Type</b>	-										
Employee related costs	2	18,246	21,023	23,802	28,308	26,194	26,194	–	31,510	32,584	33,479
Remuneration of councillors		2,192	2,481	2,197	2,348	2,285	2,285		2,540	2,641	2,826
Debt impairment	3	10,321	–	12,011	5,774	5,774	5,774		5,774	6,103	6,451
Depreciation & asset impairment	2	12,858	3,280	13,424	9,018	9,018	9,018	–	10,276	10,862	12,274
Finance charges		210	66	403	–	–	–	–	–	–	–
Bulk purchases	2	13,716	15,204	17,473	17,423	22,133	22,133	–	23,190	25,512	25,982
Other materials	8	1,518	1,516	–	2,069	3,556	3,556		5,027	4,278	4,663
Contracted services		3,191	2,370	1,814	6,328	6,328	6,328	–	5,099	4,731	4,101
Transfers and subsidies		7,699	3,394	3,977	–	–	–	–			
Other expenditure	4, 5	14,823	14,652	11,880	12,055	15,415	15,415	–	13,903	16,542	14,380
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
<b>Total Expenditure</b>		<b>84,774</b>	<b>63,986</b>	<b>86,981</b>	<b>83,323</b>	<b>90,703</b>	<b>90,703</b>	<b>–</b>	<b>97,319</b>	<b>103,253</b>	<b>104,157</b>
<b>Surplus/(Deficit)</b>		<b>200,001</b>	<b>8,280</b>	<b>(20,774)</b>	<b>289</b>	<b>77</b>	<b>77</b>	<b>–</b>	<b>148</b>	<b>813</b>	<b>707</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		10,231	16,848	16,440	12,099	35,314	35,314		15,675	22,606	49,505
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>210,232</b>	<b>25,128</b>	<b>(4,334)</b>	<b>12,388</b>	<b>35,391</b>	<b>35,391</b>	<b>–</b>	<b>15,823</b>	<b>23,419</b>	<b>50,212</b>
Taxation		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>		<b>210,232</b>	<b>25,128</b>	<b>(4,334)</b>	<b>12,388</b>	<b>35,391</b>	<b>35,391</b>	<b>–</b>	<b>15,823</b>	<b>23,419</b>	<b>50,212</b>
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>		<b>210,232</b>	<b>25,128</b>	<b>(4,334)</b>	<b>12,388</b>	<b>35,391</b>	<b>35,391</b>	<b>–</b>	<b>15,823</b>	<b>23,419</b>	<b>50,212</b>
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>		<b>210,232</b>	<b>25,128</b>	<b>(4,334)</b>	<b>12,388</b>	<b>35,391</b>	<b>35,391</b>	<b>–</b>	<b>15,823</b>	<b>23,419</b>	<b>50,212</b>

## Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total operating revenue is R 83,614 million in 2017/2018 and indicates an increase to R 93,467 million in 2018/19.

2. Revenue to be generated from property rates is R13,620 million in the 2017/18 financial year and increases to R 14,966 million by 2018/19 which represents 15.62 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. The new General Valuation roll will be implemented in the 2018/19 financial year.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R 42, 827 million for the 2017/18 financial year and indicates a decrease to R 42, 430 million by 2018/19. This is also a result of the change in budget presentation for free basic services, explained in this report. This reduction is countered by that portion of the Equitable Share equal to the cost and revenue cost of FBS to indigents now reflected as revenue to the relevant service. For the 2018/19 financial year services charges amount to 48.83 per cent of the operating revenue base.
4. Transfers recognised – operating grants includes the local government equitable share and other operating grants from national and provincial government.
5. Bulk purchases have significantly increased over the years period escalating from R15, 536 million to R 23 189 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. The change in the trend for contracted services also relates to the reclassification of expenditure resulting from mSCOA implementation.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 16 MBRR Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source**

**NC086 Kgatelopele - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

Vote Description  R thousand	R ef	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcom e	Audited Outcom e	Audited Outcom e	Original Budget	Adjuste d Budget	Full Year Forecas t	Pre- audit outcom e	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure - Vote Multi-year expenditure to be appropriated</b>	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		905	-	512	-	-	-	-	-	-	-
Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		10,063	-	22,140	11,373	7,673	7,673	-	-	-	-
Vote 6 - COMMUNITY AND PUBLIC SERVICES		-	9,551	-	200	-	-	-	-	-	-
Vote 7 -		-	-	-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	<b>10,968</b>	<b>9,551</b>	<b>22,652</b>	<b>11,573</b>	<b>7,673</b>	<b>7,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - COMMUNITY AND PUBLIC SERVICES		-	-	-	-	-	-	-	400	12,644	40,000
Vote 7 -		-	-	-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-

Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	-	-	-	-	400	12,644	40,000
<b>Total Capital Expenditure - Vote</b>		10,968	9,551	22,652	11,573	7,673	7,673	-	400	12,644	40,000
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	512	-	565	665	665	-	1,200	-	-
Executive and council		-	-	-	500	500	500	-	500	-	-
Finance and administration		-	512	-	65	165	165	-	700	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		9,551	-	-	-	-	-	-	400	-	-
Community and social services		9,551	-	-	-	-	-	-	400	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	22,140	-	13,299	3,940	3,940	-	15,675	22,606	49,505
Energy sources		-	16,403	-	1,000	1,000	1,000	-	2,700	1,920	1,280
Water management		-	5,737	-	4,200	200	200	-	5,000	-	-
Waste water management		-	-	-	8,099	-	-	-	7,975	8,042	8,225
Waste management		-	-	-	-	2,740	2,740	-	-	12,644	40,000
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	9,551	22,652	-	13,864	4,605	4,605	-	17,275	22,606	49,505
<b>Funded by:</b>											
National Government		9,551	22,651	-	12,099	35,314	35,314	-	15,675	22,606	49,505
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital Public contributions &amp; donations</b>	4	9,551	22,651	-	12,099	35,314	35,314	-	15,675	22,606	49,505
	5	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	-	1,765	4,605	4,605	-	1,600	-	-
<b>Total Capital Funding</b>	7	9,551	22,651	-	13,864	39,919	39,919	-	17,275	22,606	49,505

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by functional classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. The capital expenditure amounts to R 16,399 million in 2018/19.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality.
4. The capital programme is funded from national and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from previous year surpluses. For 2018/19, capital transfers totals R 15 675 million, internally generated funding totalling R1,600 million. These funding sources are further discussed in detail in paragraph 2.6 (Overview of Budget Funding).

**Table 17 MBRR Table A6 - Budgeted Financial Position**

**NC086 Kgatelopele - Table A6 Budgeted Financial Position**

Description	R ef	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcom e	Audited Outcom e	Audited Outcom e	Original Budget	Adjusted Budget	Full Year Forecast	Pre- audit outcom e	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		314	900	9,068	314	314	314	9,068	1,468	1,551	1,639
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	9,192	16,181	48,523	17,801	23,575	23,575	13,254	18,500	16,572	17,452
Other debtors		3,931	11,801	7,741	–	–	–	–	–	–	–
Current portion of long-term receivables					–	–	–	15,506	15,670	–	–
Inventory	2	546	701	885	–	–	–	886	456	–	–
<b>Total current assets</b>		<b>13,983</b>	<b>29,583</b>	<b>66,217</b>	<b>18,115</b>	<b>23,889</b>	<b>23,889</b>	<b>38,714</b>	<b>36,094</b>	<b>18,123</b>	<b>19,091</b>
<b>Non current assets</b>											
Long-term receivables		–	64	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		6,192	53,247	53,310	–	–	–	53,310	254,671	268,402	283,164
Investment in Associate Property, plant and equipment	3	–	–	–	–	–	–	–	–	–	–
		189,929	217,943	–	238,850	238,850	238,850	258,097	278,091	272,292	287,541
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		53	70	383	–	–	–	383	383	404	426
Other non-current assets		260	875	875	–	–	–	875	875	922	973
<b>Total non current assets</b>		<b>196,434</b>	<b>272,199</b>	<b>54,568</b>	<b>238,850</b>	<b>238,850</b>	<b>238,850</b>	<b>312,665</b>	<b>534,021</b>	<b>542,020</b>	<b>572,104</b>
<b>TOTAL ASSETS</b>		<b>210,417</b>	<b>301,782</b>	<b>120,785</b>	<b>256,965</b>	<b>262,739</b>	<b>262,739</b>	<b>351,379</b>	<b>570,114</b>	<b>560,143</b>	<b>591,195</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	–	4,172	–	–	–	–	–	–	–	–
Borrowing	4	–	638	636	–	–	–	–	–	400	60
Consumer deposits		1,322	1,371	1,420	1,209	1,209	1,209	1,420	61	64	68
Trade and other payables	4	21,581	25,510	49,824	19,825	19,825	19,825	49,824	27,029	20,858	10,858
Provisions		255	–	163	–	–	–	3,472	–	–	–
<b>Total current liabilities</b>		<b>23,158</b>	<b>31,690</b>	<b>51,406</b>	<b>21,034</b>	<b>21,034</b>	<b>21,034</b>	<b>54,716</b>	<b>27,029</b>	<b>20,858</b>	<b>10,858</b>
<b>Non current liabilities</b>											
Borrowing		637	–	–	–	–	–	–	–	–	–
Provisions		5,957	6,212	3,309	6,212	6,212	6,212	–	5,714	6,017	6,342
<b>Total non current liabilities</b>		<b>6,594</b>	<b>6,212</b>	<b>3,309</b>	<b>6,212</b>	<b>6,212</b>	<b>6,212</b>	<b>–</b>	<b>5,714</b>	<b>6,017</b>	<b>6,342</b>



TOTAL LIABILITIES		29,752	37,902	54,715	27,246	27,246	27,246	54,716	32,743	26,875	17,200
NET ASSETS	5	180,665	263,880	66,070	229,719	235,493	235,493	296,663	537,371	533,268	573,995
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		129,605	212,820	245,604	225,210	225,210	225,210	245,604	288,000	496,112	393,740
Reserves	4	51,060	51,060	51,060	–	–	–	51,060	16,975	22,606	49,505
TOTAL COMMUNITY WEALTH/EQUITY	5	180,665	263,880	296,664	225,210	225,210	225,210	296,664	304,975	518,718	443,245

### Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is largely aligned to GRAP1, which is generally aligned to the international version which presents Assets Less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Table 19 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate

assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 18 MBRR Table A7 - Cash Backed Reserves/Accumulated Surplus  
Reconciliation**

**NC086 Kgatelopele - Table A7 Budgeted  
Cash Flows**

Description  R thousand	R ef	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcom e	Audited Outcom e	Audited Outcom e	Original Budget	Adjuste d Budget	Full Year Forecas t	Pre- audit outcom e	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		–	–	–	14,165	13,620	13,620	15,019	11,973	12,338	16,271
Service charges		2,911	35,431	26,939	40,826	43,526	43,526	19,902	36,787	35,778	47,182
Other revenue		1,123	–	–	4,889	9,708	9,708	6,243	10,374	10,978	14,395
Government - operating	1	24,503	38,730	48,613	23,042	23,191	23,191	17,188	23,549	24,103	26,513
Government - capital	1	–	–	–	12,099	17,299	17,299	11,299	16,399	9,962	9,505
Interest		102	234	376	391	435	435	182	284	854	901
Dividends		–	–	–	–	–	–	24	–	–	–
<b>Payments</b>											
Suppliers and employees		(44,542)	(44,593)	(53,066)	(68,532)	(75,862)	(75,862)	(33,810)	(67,366)	(83,958)	(88,575)
Finance charges		(210)	(853)	(403)	–	–	–	–	–	–	–
Transfers and Grants	1	–	–	–	–	–	–	(390)	5,125	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>(16,113)</b>	<b>28,949</b>	<b>22,459</b>	<b>26,880</b>	<b>31,917</b>	<b>31,917</b>	<b>35,657</b>	<b>37,126</b>	<b>10,055</b>	<b>26,192</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		–	(25,039)	(16,105)	300	300	300	–	300	–	–
Decrease (Increase) in non- current debtors		–	–	–	7,748	–	–	–	13,791	11,250	10,100
Decrease (increase) other non- current receivables		–	0	2	–	–	–	–	–	–	–
Decrease (increase) in non- current investments		–	–	–	–	–	–	–	–	–	–
<b>Payments</b>											
Capital assets		(9,731)	–	–	(12,099)	–	–	–	(1,600)	–	–
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(9,731)</b>	<b>(25,039)</b>	<b>(16,103)</b>	<b>(4,051)</b>	<b>300</b>	<b>300</b>	<b>–</b>	<b>12,491</b>	<b>11,250</b>	<b>10,100</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		–	–	637	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	(1,272)	(752)	–	–	–	–	12	15	17
<b>Payments</b>											
Repayment of borrowing		(1,169)	–	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(1,169)</b>	<b>(1,272)</b>	<b>(115)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12</b>	<b>15</b>	<b>17</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(27,013)</b>	<b>2,638</b>	<b>6,241</b>	<b>22,829</b>	<b>32,217</b>	<b>32,217</b>	<b>35,657</b>	<b>49,629</b>	<b>21,320</b>	<b>36,309</b>

Cash/cash equivalents at the year begin:	2	1,127	314	1,952	–	–	–	–	1,468	51,096	72,416
Cash/cash equivalents at the year end:	2	(25,886)	2,952	8,193	22,829	32,217	32,217	35,657	51,096	72,416	108,725

**Table 19 Cash backed reserves/accumulated surplus reconciliation**

**NC086 Kgatelopele - Table A8 Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	314	6,565	8,193	22,829	32,217	32,217	35,657	1,468	1,547	1,632
Other current investments > 90 days		–	(9,837)	9,068	(22,515)	(31,903)	(31,903)	(26,589)	–	–	–
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>314</b>	<b>(3,272)</b>	<b>17,261</b>	<b>314</b>	<b>314</b>	<b>314</b>	<b>9,068</b>	<b>1,468</b>	<b>1,547</b>	<b>1,632</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	21,581	(5,580)	7,709	19,825	(3,673)	19,825	–	(25,191)	(26,552)	(28,012)
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments:</b>		<b>21,581</b>	<b>(5,580)</b>	<b>7,709</b>	<b>19,825</b>	<b>(3,673)</b>	<b>19,825</b>	<b>–</b>	<b>(25,191)</b>	<b>(26,552)</b>	<b>(28,012)</b>
<b>Surplus(shortfall)</b>		<b>(21,267)</b>	<b>2,308</b>	<b>9,552</b>	<b>(19,511)</b>	<b>3,987</b>	<b>(19,511)</b>	<b>9,068</b>	<b>26,659</b>	<b>28,099</b>	<b>29,644</b>

## Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus

### Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of noncompliance with the MFMA requirements that the municipality's budget must be "funded".
4. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

5. As can be seen the budget has been modelled to ensure that the budget is funded.

**Table 20 MBRR Table A9 - Asset Management**

**NC086 Kgatelopele - Table A9 Asset Management**

Description  R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CAPITAL EXPENDITURE</b>										
<b><u>Total New Assets</u></b>	1	9,551	22,651	–	1,765	4,605	4,605	12,275	22,606	49,505
<i>Roads Infrastructure</i>		–	–	–	–	–	–	–	12,644	40,000
<i>Storm water Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Electrical Infrastructure</i>		–	15,945	–	–	–	–	2,700	1,920	1,280
<i>Water Supply Infrastructure</i>		–	5,737	–	200	–	–	–	–	–
<i>Sanitation Infrastructure</i>		–	–	–	–	–	–	–	8,042	8,225
<i>Solid Waste Infrastructure</i>		–	–	–	–	–	–	7,975	–	–
<i>Rail Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Coastal Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Information and Communication Infrastructure</i>		–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>		<b>9,551</b>	<b>21,682</b>	<b>–</b>	<b>200</b>	<b>–</b>	<b>–</b>	<b>10,675</b>	<b>22,606</b>	<b>49,505</b>
Community Facilities		–	–	–	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
<b>Community Assets</b>		–	–	–	–	–	–	–	–	–
<b>Heritage Assets</b>		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
<b>Investment properties</b>								–	–	–
Operational Buildings		9,551	969	–	1,565	4,605	4,605	1,600	–	–
Housing								–	–	–
<b>Other Assets</b>		<b>9,551</b>	<b>969</b>	<b>–</b>				<b>1,600</b>	<b>–</b>	<b>–</b>
<b>Biological or Cultivated Assets</b>		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
<b>Intangible Assets</b>		–	–	–				–	–	–
<b>Computer Equipment</b>		–	–	–				–	–	–
<b>Furniture and Office Equipment</b>		–	–	–	65			–	–	–

Machinery and Equipment	-	-	-				-	-	-
Transport Assets	-	-	-	1,700			-	-	-
Libraries	-	-	-				-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-				-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	-	-	5,000	9,962	-
Roads Infrastructure	-	-	-	-	-	-	-	-	-
Storm water Infrastructure	-	-	-	-	-	-	-	-	-
Electrical Infrastructure	-	-	-	-	-	-		1,920	-
Water Supply Infrastructure	-	-	-	4,000	4,000	4,000	5,000	-	-
Sanitation Infrastructure	-	-	-	8,099	-	-		8,042	-
Solid Waste Infrastructure	-	-	-	-	-	-	-	-	-
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	-	-	-	-	-	-	5,000	9,962	-
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	9,551	969	-	1,565	4,585	4,585	-	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	9,551	969	-	1,565	4,585	4,585	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
<b>Total Upgrading of Existing Assets</b>	6	19,179	22,651	-	12,099	21,904	21,904	-	22,606
Roads Infrastructure	-	-	-	-	-	-	-	-	-

<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	15,945	-	-	-	-	-	1,920	-
<i>Water Supply Infrastructure</i>	77	5,737	-	4,000	4,000	4,000	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-	8,099	13,299	13,299	-	8,042	-
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>77</b>	<b>21,682</b>	<b>-</b>	<b>12,099</b>	<b>17,299</b>	<b>17,299</b>	<b>-</b>	<b>-</b>	<b>-</b>
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Heritage Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	9,551	969	-	1,565	4,605	4,605	-	-	-
Housing	9,551	969	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>19,102</b>	<b>1,938</b>	<b>-</b>	<b>1,565</b>	<b>4,605</b>	<b>4,605</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	65	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	1,700	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	<b>4</b>								
<i>Roads Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	15,945	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	-	5,737	-	4,000	4,000	4,000	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-	8,099	13,299	13,299	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-

<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	-	<b>21,682</b>	-	<b>12,099</b>	<b>17,299</b>	<b>17,299</b>	-	-	-
Community Facilities	-	-	-				-	-	-
Sport and Recreation Facilities	-	-	-				-	-	-
<b>Community Assets</b>	-	-	-				-	-	-
<b>Heritage Assets</b>	-	-	-				-	-	-
Revenue Generating	-	-	-				-	-	-
Non-revenue Generating	-	-	-				-	-	-
<b>Investment properties</b>	-	-	-				-	-	-
Operational Buildings	-	-	-				1,600	-	-
Housing	-	-	-				-	-	-
<b>Other Assets</b>	<b>9,551</b>	<b>969</b>	-	<b>1,565</b>	<b>4,605</b>	<b>4,605</b>	<b>1,600</b>	-	-
<b>Biological or Cultivated Assets</b>							-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>	-	-	-	-	-	-	-	-	-
<b>Libraries</b>	-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>	-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>9,551</b>	<b>22,651</b>	<b>-</b>	<b>13,864</b>	<b>26,509</b>	<b>26,509</b>	<b>17,275</b>	<b>22,606</b>	<b>49,505</b>

### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal/upgrading of existing assets, as well as spending on repairs and maintenance by asset class.
2. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF



**Table 21 MBRR Table A10 - Basic Service Delivery Measurement**

NC086 Kgatelopele - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)			-	-	-	-	-	-	-	
Water (kilolitres per household per month)			1,300,000	1,300,000	2,459,549	2,459,549	2,459,549	1,055,684	1,112,691	1,176,114
Sanitation (kilolitres per household per month)			-	-	-	-	-	-	-	
Sanitation (Rand per household per month)			1,300,000	1,300,000	2,645,840	2,645,840	2,645,840	2,786,048	2,936,495	3,089,002
Electricity (kwh per household per month)			1,300,000	1,300,000	2,050,193	2,050,193	2,050,193	1,300,160	1,370,369	1,448,479
Refuse (average litres per week)			1,300,000	1,300,000	2,259,342	2,259,342	2,259,342	2,379,108	2,507,580	2,645,497

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Good progress is being made with the eradication of current services backlogs. Housing remains a challenge.
  - Electricity services – the current backlog has provisionally been eliminated.
3. The budget provides for 1 500 households to be registered as indigent in 2018/19, and therefore entitled to receiving Free Basic Services. The number is set to increase over the MTREF, especially by poor people seeking economic opportunities.
4. It is anticipated that the cost of these Free Basic Services will amount to R 7,521 million in 2018/19. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, other rates rebate also applies to households.

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## **PART 2 – SUPPORTING DOCUMENTATION**

### ***2.1 Overview of the annual budget process***

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Full-time Councillors, Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

*The primary aims of the Budget Steering Committee are to ensure:*

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### ***2.1.1 Budget Process Overview***

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to prepare the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 28 August 2016.

Key dates applicable to the process were:

- December 2017 – Mid-year review by of the 2017/2018 progress and review of 2087-2021 draft operational expenditure including financial forecasting and scenario considerations;
- 25 January 2017 - Council considered the 2017/2018 Mid-year Review;
- March 2017 – Finalisation of adjustments budget;
- 28 March 2017 - Tabling in Council of the draft 2018/19 IDP, SDBIP and 2018/9 MTREF for public consultation;

*Round 1 of public participation*

<b>Date</b>	<b>Area</b>	<b>Venue</b>
17 January 2018	Kuilsville (Ward 3)	Kuilsville Community Hall
18 January 2018	Landbou Erwe (Ward 2)	Freeman Church
30 January 2018	Tlhakalatlou (Ward 1)	Tlhakalatlou Community Hall
24 January 2018	Lime Acres (Ward 4)	Shaleje PPC

Kgatelopele Municipality will then embark on the 2<sup>nd</sup> round of its community engagement in order to give feedback on the progress made towards the needs which were raised during the 1<sup>st</sup> round which were held in January. The 2<sup>nd</sup> round of community engagement are planned for the month of April 2018. The dates for the 2<sup>nd</sup> round of consultative meetings are planned as follows:

<b>DATE</b>	<b>WARD NUMBER</b>	<b>TIME</b>	<b>VENUE</b>
17 April 2018	Ward 4	17:00	Shaleje Hall PPC
18 April 2018	Ward 2	17:00	Landbou Erwe Freeman Church
19 April 2018	Ward 3	17:00	Kuilsville Community Hall
24 April 2018	Ward 1	17:00	Tlhakalatlou Community Hall

## *IDP and Service Delivery and Budget Implementation Plan*

This is the first year of the new generation IDP (2018/2020) to be considered and adopted by Council in May 2018. The draft IDP process started in January 2018 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2018/19 MTREF. The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the

Service Delivery and Budget Implementation Plan. The Process Plan applicable to the Draft IDP cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans with key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP will be taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/2018 MTREF, mid-year review and adjustments budget. The business planning process was subsequently refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/2018 Departmental Service Delivery and Budget. Implementation Plan. Business planning links back to priority needs

and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

#### Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate (trends, inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2017/2018 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 91 were taken into consideration in the planning and prioritisation process.

#### *Community Consultation on the Draft Budget*

The draft 2018/19 MTREF, was tabled in Council on 28 March 2018 and will be made available to the community as follows:

Copies of the document can be viewed:

- At the offices of all Area Managers
- All public libraries within the municipality

All documents in the appropriate format (electronic and printed) will be provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA, to provide an opportunity for comment.

A delegation of the municipality, consisting of the Mayor, Councillors, Municipal Manager, Acting Chief Financial Officer and officials from the municipality, held public meetings for all the wards in the municipal area to present the draft budget to the community.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and capital projects will be considered by the Budget Steering Committee at a meeting to be held in May 2018 for the finalisation of the 2018/19 Budget. Comments from the community and the municipality's responses thereto will be included.

## **OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realised through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development.

Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. It is important that the IDP developed by municipalities correlate with

National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area.

Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities. The aim of this new five-year IDP cycle is to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP but must also conduct its affairs in a manner which is consistent with its IDP.

The following table highlights the IDP's five strategic objectives for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget:

#### IDP Strategic Objectives

##### *SO, 1: To ensure the provision of sustainable basic services to our communities*

- Electricity: To provide all planned "households "with electricity energy connection and promote use of other alternative energy.
- Water & Sewer: Address the provision and maintenance of municipal service such as water and sewage removal.
- Roads & Storm water: Address the provision and maintenance of municipal services such as roads and storm water
- Housing: To facilitate the provision of sustainable human settlement, which promote human habitation.

##### *SO, 2: Conservation of the environment*

- Parks & Cemetery: Address the provision and maintenance of parks and cemeteries.
- Waste Removal: External provision, to ensure proper management of the service provider contracted to provide the service.

##### *SO, 3: To promote a conducive environment for economic development*

- Local Economic Development: To promote a conducive environment for enterprise support and development, and foster partnership that contributes to economic development.



*SO, 4: To ensure an effective and efficient financial viable municipality*

- Supply Chain Management: To ensure a credible process of procuring goods and service for the municipality.
- Expenditure: To ensure the timeous payment of all creditors within 30 days of the creditor's statement, as prescribed in Chapter 8 of the municipal Finance Management act no 56 of 2003.
- Revenue: To ensure the timeous distribution of accurate service accounts and ensure that all money owed to the municipality are collected within 30 days.
- Budget & Treasury: Ensuring that the municipality produces a credible budget and ensuring adherence to the budget structure.
- Asset Management: To ensure the safekeeping, of all municipal assets, and ensure proper management over all assets to obtain the maximum financial benefit from these assets.
- Financial Systems: Ensuring the effective efficient management of the financial system in order to maintain accurate financial information.

*SO, 5: Democratic and accountable government*

- Council: To ensure good and accountable governance, that promotes the objectives of local government as enshrined in the RSA Constitution, Chapter 7, Section 152.
- Portfolio Committees: To ensure effective and efficient Council operation and enable oversight role of Council.
- Ward Committees: To ensure effective community participation in the affairs of local government so as to deepen democracy.

*SO, 6: Municipal Transformation and Organisational Development*

- Risk Management: Is to be responsible for enterprise risk management and fraud prevention management within the Kgatelopele Municipality. This entails development of policies, strategy & processes, development of fraud prevention,

facilitating and advising on risk management issues. While promoting a culture of risk management amongst managers.

- Internal Auditing: To provide independent, objective assurance and consulting services design to add value and improve Kgatelopele Municipality operations. Driven by the following values; honesty, integrity, professionalism, accountability, objectivity and empathy, while ensuring good governance.
- Integrated Development Plan: To ensure formulation/development of a credible and realistic IDP.
- Performance Management System: To ensure the implementation of performance management system and promote a performance orientated organizational culture.
- Communication & Media Relation: To enhance & promote the role of the municipality and its operations in its area of jurisdiction in ways that contribute to the process of deepening democracy by: promoting awareness of economic opportunities, improve the culture of service delivery in the public service, build & promote partnership through public participation and communicate policies & information.
- Council Secretariat: To ensure efficient and effective operation of Council, and the record keeping thereof.
- Human Resource: Promote organizational cohesion. Effective human resource development and performance development and employment equity.
- Administration: Key systems, processes and structures to support governance and operational efficiency
  - Housing: To provide sustainable human settlement suitable for human habitation.
  - Land: Development of erven as informed by the Spatial Development Framework
  - Library Services: Sufficient library service delivered to the community
  - Traffic Services: Efficient traffic service regarding vehicle registration, learner's licenses and law enforcement

- Information Technology: Improved organizational stability and sustainability

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;
- Provide roads and storm water;
- Provide municipality planning services; and
- Maintaining the infrastructure of the Municipality.

Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the Municipality;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Extending waste removal services and ensuring effective municipality cleansing;
- Ensuring all waste water treatment works are operating optimally;

- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

#### Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure maintenance strategy and the repairs and maintenance plan

Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organisational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years for infrastructure planning. This process is aimed at influencing the development path to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the new IDP of the 2017/2022 cycle, including:

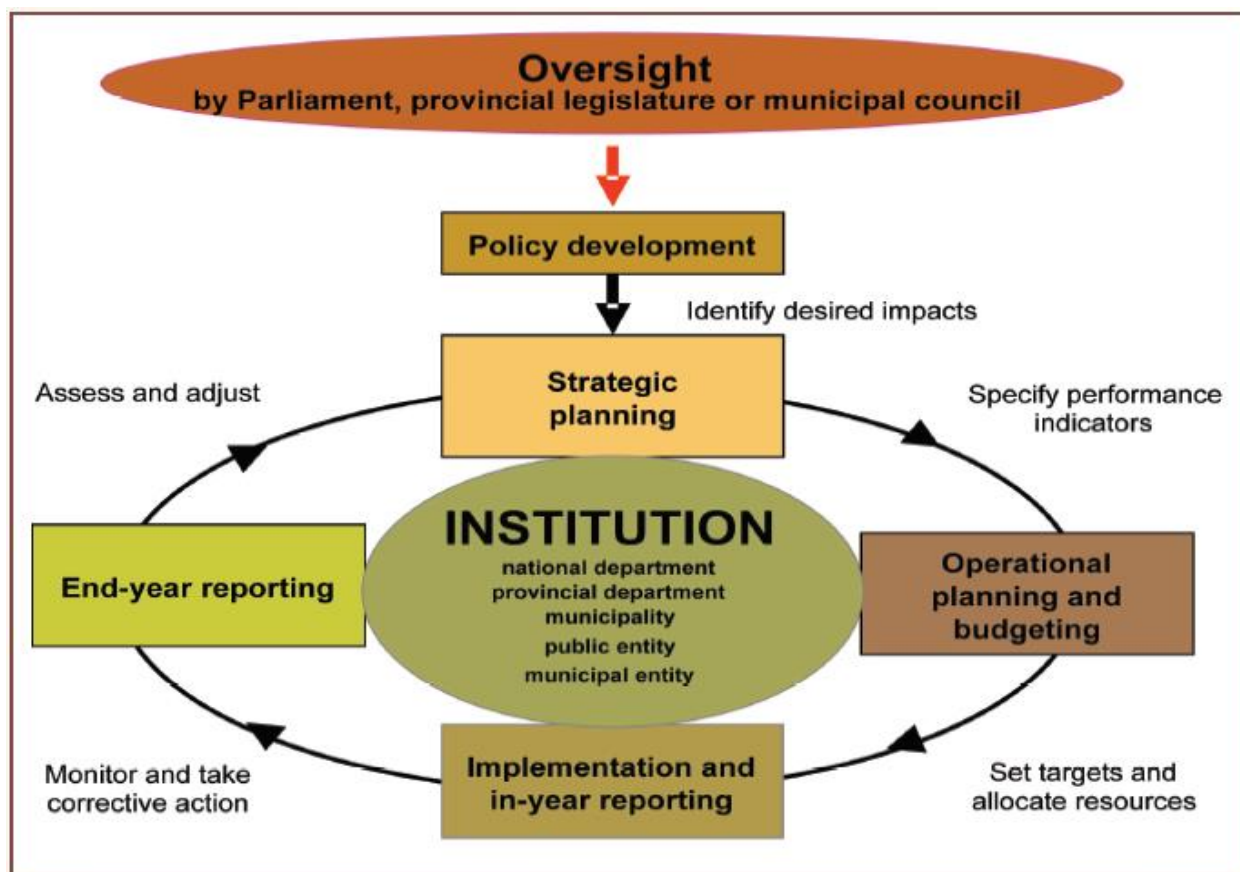
- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area-based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2018/19 MTREF has therefore been directly informed by the new draft five-year IDP process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

### **Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly at each quarter, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

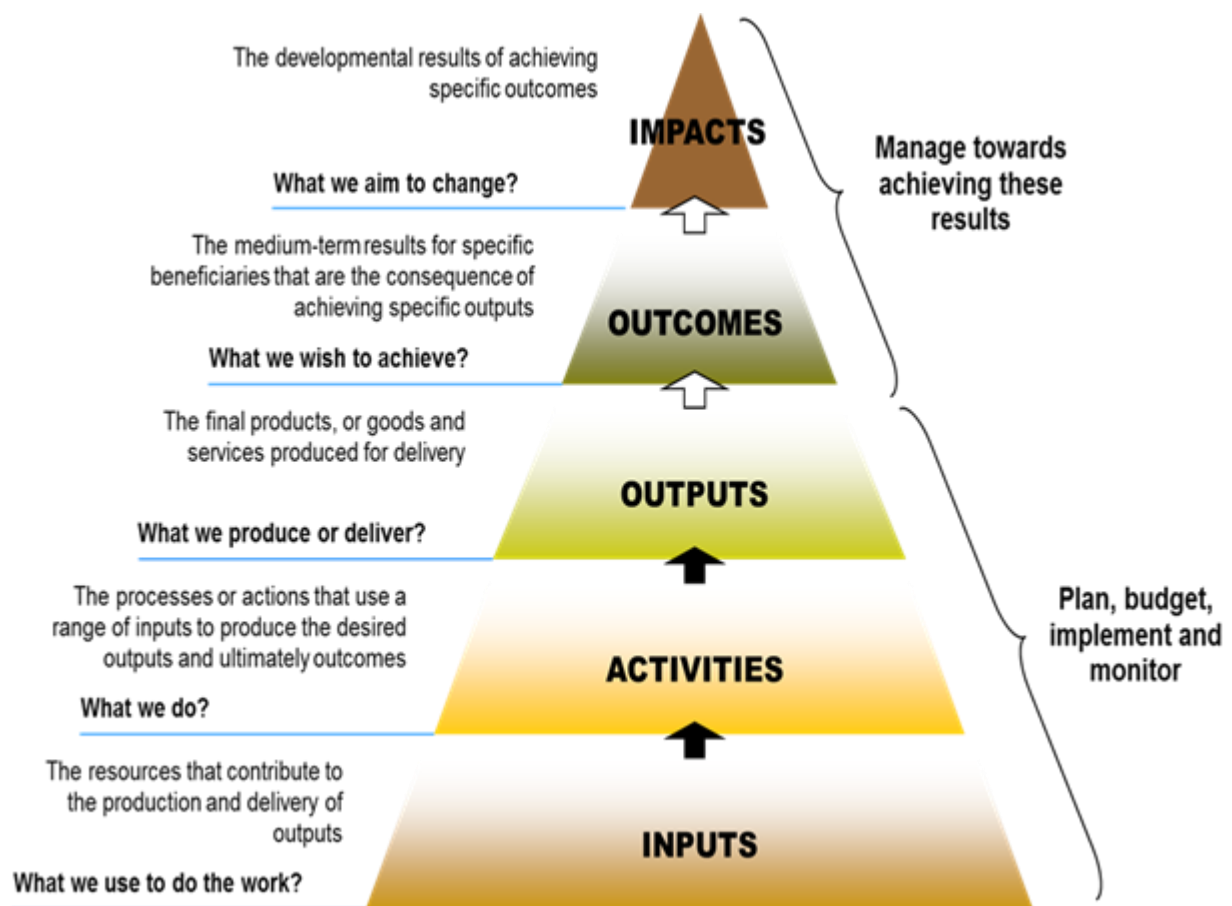


**Figure 5 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:



**Figure 6 Definition of performance information concepts**

## Performance indicators and benchmarks

### *Borrowing Management*

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Kgatelopele's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. For the 2017/2018 financial year the municipality has no



intension of entering into any long term borrowings due affordability. The municipality also does not have any current long term loans that need to be serviced.

The following financial performance indicators have formed part of the compilation of the 2018/19 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing remains steady. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality.

### **Indicators and ratios**

The key financial indicators and ratios mentioned below are disclosed in 'Supporting Table SA8: Performance indicators and benchmarks':

- Borrowing management
- Safety of capital
- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

Funding measure ratios are disclosed in 'Supporting Table SA10: Funding measurement'.

### **Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Only registered indigents qualify for the free basic services.

For the 2018/19 financial year 1 500 registered indigents have been provided for in the budget with this figured increasing from the actual registered indigents of 2017/18. In terms of the Municipality's indigent policy registered households are entitled to 6kl fee water, 50 kwh of electricity, sanitation service charge and free waste removal once a week, as well as a rebate on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

### **Providing clean water and managing waste water**

The municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The municipality bulk water provides the service by making use of its own water sources, such as boreholes. An additional reservoir was concluded in the 2016/2017 financial year.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence. The municipality has blue drop water status.

Upgrading of the existing sewerage system is part of the multi-year project that started in the current financial year, to be concluded in the 2017/2018 financial, this will aid the municipality to meet the minimum Green Drop certification standards.

The following is briefly the main challenges facing the municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- The municipality has almost reached its electricity capacity.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan through registered MIG projects;
- The filling of key personnel vacancies has commenced
- Project cost estimate has been received from Eskom for the increasing of the current capacity

## OVERVIEW OF BUDGET RELATED POLICIES

### *Overview of budget related-policies*

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### *Tariff Policy*

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. Changes in the tariff policy was the exemption of churches from refuse charges. The ratio of agricultural use of land was aligned with the Property Tax Rates Act, due to the alignment of the property for agricultural use tariff, a rebate was introduced as a relief.

In the 2016/17 financial year, a fine was introduced for bridge/tempering with electrical meter boxes. This was to curb electricity losses due to theft, this fine has presented not to be effective as we have second offenders and has not increased the number of tempering the municipality discovers. For the 2018/19 financial year, through consultation, recommendation was made for the tariff policy, first offence for tempering/bridging will be reported to the South African Police Services in addition to the fine.

### *Indigent Subsidy Policy*

The Indigent Subsidy Policy was reviewed, with one new addition made, indigent households where a tuckshop is operating from the premises will not qualify for indigency.

### *Budget Policy*

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental

goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

#### *Virement Policy*

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations.

#### *Travelling & Subsistence Policy*

For the 2018/19 Travel and Subsistence Policy, amendment was made to the daily rate for meals, with an adjustment from R 150.00 to R 200.00 and R 250.00 to R 300.00 for overnight stay.

#### *Property Rate Policy*

A 60% rebate was introduced for Agricultural land used for farming purposes to cushion the increase on the tariff for an industry that was negatively affected by drought in the past 4 years and the correction of tariff that was done two years ago.

## **OVERVIEW OF BUDGET ASSUMPTIONS**

### **External factors**

The effects of recession are less evident than the same time two years ago. After a protracted standstill in interest rates, this has since increased. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

### *General inflation outlook and its impact on the municipal activities*

There are five key factors that have been taken into consideration in the compilation of the 2018/19

## MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 36,7 per cent of total operating expenditure in the 2018/19 MTREF and therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

### *Collection rate for revenue services*

The base assumption is that tariff and rating increases will increase at a rate linked to CPI over the medium term. It is also assumed that current economic conditions, and relative inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (80 per cent) of annual billings. Cash flow is assumed to be 80 per cent of billings from an increased collection of arrear debt.

The Municipality has in place a fair but rigorous credit control policy. Furthermore, its policy on indigent support means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt

### *Growth or decline in tax base of the municipality*

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

The revised headline CPI forecasts from National Treasury for 2018/19, 2019/20 and 2020/21 are 5.3%, 5.4% and 5.5% respectively. The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national

macroeconomic policies. NT has communicated that any rate or tariff increase above CPI must be fully communicated to the community.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' mainly limits consumption to the level of free basic services.

### *Salary increases*

The new collective agreement regarding salaries/wages has not been signed for the 1<sup>st</sup> July 2018. CPI plus 1% is being used to project the increment for salaries.

### *Impact of national, provincial and local policies*

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### *Ability of the municipality to spend and deliver on the programmes*

It is estimated that a spending rate of at least 80 per cent could be achieved on operating expenditure and 100 per cent on the capital programme for the 2018/19 MTREF.

## **OVERVIEW OF BUDGET FUNDING**

### Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Section 4, 'Table A8: Cash backed reserves/accumulated surplus reconciliation' and Annexure 2, 'Supporting Table SA10: Funding measurement'.



## *Fiscal Overview of Kgatelopele Municipality*

Kgatelopele Municipality has over recent years facing cash-flow constrains and being grant depended. The municipality has also strived to have a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management. Kgatelopele has received a disclaimer of opinion audit report in the 2016/2017 financial year.

The table below is a breakdown of the operating revenue

**NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	9,194	8,007	6,534	14,165	13,620	13,620	-	14,966	16,466	16,348
Service charges - electricity revenue	2	31,941	16,965	18,794	22,411	27,270	27,270	-	28,967	29,951	26,647
Service charges - water revenue	2	-	6,017	5,894	7,921	8,789	8,789	-	7,415	8,390	8,870
Service charges - sanitation revenue	2	-	3,059	10,974	4,324	3,145	3,145	-	3,672	4,589	4,854
Service charges - refuse revenue	2	-	4,585	450	6,169	4,322	4,322	-	5,930	6,537	6,913
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		235	159	182	137	1,751	1,751	-	404	427	451
Interest earned - external investments		102	234	376	216	216	216	-	526	556	587
Interest earned - outstanding debtors		254	606	91	175	219	219	-	284	300	318
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		8	20	18	1,018	500	500	-	1,018	1,076	1,133
Licences and permits		-	-	-	53	53	53	-	124	188	93
Agency services		717	2,494	1,093	700	700	700	-	956	1,010	1,068
Transfers and subsidies		21,405	24,096	20,224	23,042	23,191	23,191	-	23,549	24,103	26,513
Other revenue	2	421	242	5,783	2,981	6,704	6,704	-	9,366	10,167	10,746
Gains on disposal of PPE		-	-	-	300	300	300	-	291	307	324
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>64,277</b>	<b>66,484</b>	<b>70,413</b>	<b>83,612</b>	<b>90,780</b>	<b>90,780</b>	<b>-</b>	<b>97,467</b>	<b>104,066</b>	<b>104,864</b>

**Table 22 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/senior managers)**

**NC086 Kgatelopele - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b><u>Councillors</u></b>	3							
Speaker	4		–	–	–			–
Chief Whip			–	–	–			–
Executive Mayor			745,253	–	40,800			786,053
Deputy Executive Mayor			–	–	–			–
Executive Committee			–	–	–			–
Total for all other councillors			1,481,899	–	244,800			1,726,699
<b>Total Councillors</b>	8	–	<b>2,227,152</b>	<b>–</b>	<b>285,600</b>			<b>2,512,752</b>
<b><u>Senior Managers of the Municipality</u></b>	5							
Municipal Manager (MM)			1,003,351	–	11,910	–		1,015,261
Chief Finance Officer (CFO)			741,427	–	9,291	–		750,718
Technical Manager			943,407	–	11,311	–		954,718

## MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

**Table 23 MBRR SA25 - Budgeted monthly revenue and expenditure**

**NC086 Kgatelopele - Supporting Table SA25 Budgeted monthly revenue and expenditure**

Description	R e f	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	Aug ust	Sept .	Octo ber	Nov emb er	Dec emb er	Jan uary	Febr uary	Mar ch	April	May	Jun e	Budg et Year 2018/ 19	Budg et Year +1 2019/ 20	Budg et Year +2 2020/ 21
<b>Revenue By Source</b>	-															
Property rates		1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,553	14,966	16,466	16,348
Service charges - electricity revenue		2,183	2,183	2,183	2,183	2,183	2,183	2,183	2,183	2,183	2,183	2,183	4,955	28,967	29,951	26,647
Service charges - water revenue		581	581	581	581	581	581	581	581	581	581	581	1,023	7,415	8,390	8,870
Service charges - sanitation revenue		306	306	306	306	306	306	306	306	306	306	306	306	3,672	4,589	4,854
Service charges - refuse revenue		466	466	466	466	466	466	466	466	466	466	466	805	5,930	6,537	6,913
Service charges - other		-											-	-	-	-
Rental of facilities and equipment		34	34	34	34	34	34	34	34	34	34	34	34	404	427	451
Interest earned - external investments		44	44	44	44	44	44	44	44	44	44	44	44	526	556	587
Interest earned - outstanding debtors		24	24	24	24	24	24	24	24	24	24	24	24	284	300	318
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		85	85	85	85	85	85	85	85	85	85	85	84	1,018	1,076	1,133
Licences and permits		7	7	7	7	7	7	7	7	7	7	7	48	124	188	93
Agency services		80	80	80	80	80	80	80	80	80	80	80	79	956	1,010	1,068
Transfers and subsidies		5,937				5,937			5,937				5,737	23,549	24,103	26,513
Other revenue		802	802	802	802	802	802	802	802	802	802	802	549	9,366	10,167	10,746
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	291	291	307	324
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>11,767</b>	<b>5,829</b>	<b>5,829</b>	<b>5,829</b>	<b>11,767</b>	<b>5,829</b>	<b>5,829</b>	<b>11,767</b>	<b>5,829</b>	<b>5,829</b>	<b>5,829</b>	<b>15,533</b>	<b>97,467</b>	<b>104,066</b>	<b>104,864</b>

**Table 24 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

**NC086 Kgatelopele - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)**

Description	R e f	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	Aug ust	Sept .	Octo ber	Nov emb er	Dece mbe r	Janu ary	Febr uary	Marc h	April	May	June	Budg et Year 2018/ 19	Budg et Year +1 2019/ 20	Budg et Year +2 2020/ 21
<b>Revenue by Vote</b>	-															
Vote 1 - EXECUTIVE AND COUNCIL		130	130	130	130	130	130	130	130	130	130	130	(1,325)	101	107	114
Vote 2 - MUNICIPAL MANAGER		652	652	652	652	652	652	652	652	652	652	652	(7,113)	54	57	61
Vote 3 - CORPORATE SERVICES		55	55	55	55	55	55	55	55	55	55	55	55	655	692	741
Vote 4 - BUDGET AND TREASURY		3,942	3,942	3,942	3,942	3,942	3,942	3,942	3,942	3,942	3,942	3,942	3,942	47,298	49,994	53,494
Vote 5 - TECHNICAL SERVICES		4,101	4,101	4,101	4,101	4,101	4,101	4,101	4,101	4,101	4,101	4,101	4,101	49,216	53,064	50,292
Vote 6 - COMMUNITY AND PUBLIC SERVICES		12	12	12	12	12	12	12	12	12	12	12	12	143	151	162
Vote 7 -													-	-	-	-
Vote 8 -													-	-	-	-
Vote 9 -													-	-	-	-
Vote 10 -													-	-	-	-
Vote 11 -													-	-	-	-
Vote 12 -													-	-	-	-
Vote 13 -													-	-	-	-
Vote 14 -													-	-	-	-
Vote 15 -													-	-	-	-
<b>Total Revenue by Vote</b>		<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>8,891</b>	<b>(329)</b>	<b>97,467</b>	<b>104,066</b>	<b>104,864</b>

**Table 25 MBRR SA27 - Budgeted monthly revenue and expenditure (functional classification)**

**NC086 Kgatelopele - Supporting Table SA27 Budgeted monthly revenue and expenditure (functional classification)**

Description	R e f	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	Aug ust	Sept.	Octo ber	Nove mber	Dece mber	Janu ary	Febr uary	Marc h	April	May	June	Budg et Year 2018/ 19	Budg et Year +1 2019/ 20	Budg et Year +2 2020/ 21
<b><u>Revenue - Functional</u></b>	–															
<b>Governance and administration</b>		3,954	3,913	3,913	3,913	3,913	3,913	3,913	3,913	3,913	3,913	3,913	4,369	47,453	49,629	52,458
Executive and council		8	11	11	11	11	11	11	11	11	11	11	(18)	101	107	113
Finance and administration		3,946	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	4,386	47,353	49,493	52,314
Internal audit		–	–	–	–	–	–	–	–	–	–	–	–	–	29	31
<b>Community and public safety</b>		58	75	75	75	75	75	75	75	75	75	75	(110)	698	950	790
Community and social services		4	4	4	4	4	4	4	4	4	4	4	(0)	43	46	49
Sport and recreation		55	71	71	71	71	71	71	71	71	71	71	(110)	655	692	741
Public safety		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>		278	179	179	179	179	179	179	179	179	179	179	1,264	3,331	4,019	4,332
Planning and development		19	15	15	15	15	15	15	15	15	15	15	56	224	193	204
Road transport		259	164	164	164	164	164	164	164	164	164	164	1,208	3,107	3,826	4,128
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Trading services</b>		3,832	3,642	3,642	3,642	3,642	3,642	3,642	3,642	3,642	3,642	3,642	5,732	45,984	49,468	47,284
Energy sources		2,414	2,211	2,211	2,211	2,211	2,211	2,211	2,211	2,211	2,211	2,211	4,443	28,967	29,951	26,647
Water management		618	594	594	594	594	594	594	594	594	594	594	857	7,415	8,390	8,870
Waste water management		306	363	363	363	363	363	363	363	363	363	363	(264)	3,672	4,589	4,854
Waste management		494	474	474	474	474	474	474	474	474	474	474	696	5,930	6,537	6,913
<b>Other</b>		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>		8,122	7,809	7,809	7,809	7,809	7,809	7,809	7,809	7,809	7,809	7,809	11,254	97,467	104,066	104,864
<b><u>Expenditure - Functional</u></b>	–															
<b>Governance and administration</b>		404,772	404,772	404,772	404,772	404,772	404,772	404,772	404,772	404,772	404,772	404,772	(4,412,201)	40,291	44,541	47,807

Executive and council	43,980	43,980	43,980	43,980	43,980	43,980	43,980	43,980	43,980	43,980	43,980	(480,115)	3,665	9,207	9,851
Finance and administration	301,620	301,620	301,620	301,620	301,620	301,620	301,620	301,620	301,620	301,620	301,620	(3,291,584)	26,236	27,731	29,673
Internal audit	59,172	59,172	59,172	59,172	59,172	59,172	59,172	59,172	59,172	59,172	59,172	(640,501)	10,391	7,603	8,283
<b>Community and public safety</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>109,584</b>	<b>(1,201,290)</b>	<b>4,134</b>	<b>3,197</b>	<b>3,260</b>
Community and social services	99,324	99,324	99,324	99,324	99,324	99,324	99,324	99,324	99,324	99,324	99,324	(1,089,647)	2,917	2,504	2,529
Sport and recreation	10,260	10,260	10,260	10,260	10,260	10,260	10,260	10,260	10,260	10,260	10,260	(111,642)	1,218	692	732
Public safety	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Housing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>118,464</b>	<b>(1,295,691)</b>	<b>7,413</b>	<b>8,597</b>	<b>5,992</b>
Planning and development	99,324	99,324	99,324	99,324	99,324	99,324	99,324	99,324	99,324	99,324	99,324	(1,084,287)	8,277	4,904	4,166
Road transport	19,140	19,140	19,140	19,140	19,140	19,140	19,140	19,140	19,140	19,140	19,140	(208,945)	1,595	3,693	1,826
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Trading services</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>3,744</b>	<b>4,297</b>	<b>45,481</b>	<b>46,919</b>	<b>47,097</b>
Energy sources	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,575	30,932	31,625	30,728
Water management	369	369	369	369	369	369	369	369	369	369	369	371	4,431	5,183	5,546
Waste water management	397	397	397	397	397	397	397	397	397	397	397	398	4,765	5,017	5,368
Waste management	400	400	400	400	400	400	400	400	400	400	400	400	4,800	5,094	5,455
<b>Other</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Expenditure - Functional</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>636,564</b>	<b>(6,904,885)</b>	<b>97,319</b>	<b>103,254</b>	<b>104,156</b>

**Table 26 MBRR SA29 - Budgeted monthly capital expenditure (functional classification)**

NC086 Kgatelopele - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital Expenditure - Functional</b>	1															
<i>Governance and administration</i>		-	-	-	500	-	-	-	-	-	-	-	700	1,200	-	-
Executive and council		-	-	-	500	-	-	-	-	-	-	-	-	500	-	-
Finance and administration		-	-	-	-	-	-	-	-	-	-	-	700	700	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	400	-	-	-	-	-	-	400	-	-
Community and social services		-	-	-	-	-	400	-	-	-	-	-	-	400	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		4,583	-	-	-	4,583	-	-	1,925	-	-	4,583	0	15,675	22,606	49,505
Energy sources		675	-	-	-	675	-	-	675	-	-	675	-	2,700	1,920	1,280
Water management		1,250	-	-	-	1,250	-	-	1,250	-	-	1,250	-	5,000	-	-
Waste water management		2,658	-	-	-	2,658	-	-	-	-	-	2,658	0	7,975	8,042	8,225
Waste management		-	-	-	-	-	-	-	-	-	-	-	-	-	12,644	40,000
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	2	4,583	-	-	500	4,583	400	-	1,925	-	-	4,583	700	17,275	22,606	49,505
<b>Funded by:</b>																
National Government		5,225	-	-	-	5,225	-	-	-	5,225	-	-	-	15,675	22,606	49,505
Provincial Government		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>		5,225	-	-	-	5,225	-	-	-	5,225	-	-	-	15,675	22,606	49,505
<b>Public contributions &amp; donations</b>		300	-	-	-	300	-	-	-	300	-	-	(900)	-	-	-
<b>Borrowing</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	-	-	-	-	-	-	-	-	-	1,600	1,600	-	-
<b>Total Capital Funding</b>		5,525	-	-	-	5,525	-	-	-	5,525	-	-	700	17,275	22,606	49,505

**Table 27 MBRR SA30 - Budgeted monthly cash flow**

**NC086 Kgatelopele - Supporting Table SA30**  
**Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash Receipts By Source</b>															
Property rates	1,247	1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,219	1,529	14,966	16,466	16,348
Service charges - electricity revenue	2,414	2,189	2,189	2,189	2,189	2,189	2,189	2,189	2,189	2,189	2,189	4,663	28,967	29,951	26,647
Service charges - water revenue	618	581	581	581	581	581	581	581	581	581	581	987	7,415	8,390	8,870
Service charges - sanitation revenue	306	306	306	306	306	306	306	306	306	306	306	306	3,672	4,589	4,854
Service charges - refuse revenue	494	466	466	466	466	466	466	466	466	466	466	776	5,930	6,537	6,913
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	34	34	34	34	34	34	34	34	34	34	34	30	404	427	451
Interest earned - external investments	44	44	44	44	44	44	44	44	44	44	44	42	526	556	587
Interest earned - outstanding debtors	24	24	24	24	24	24	24	24	24	24	24	21	284	300	318
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	85	85	85	85	85	85	85	85	85	85	85	83	1,018	1,076	1,133
Licences and permits	7	7	7	7	7	7	7	7	7	7	7	48	124	188	93
Agency services	80											876	956	1,010	1,068
Transfer receipts - operational	5,937				5,937			5,937				5,738	23,549	24,103	26,513
Other revenue	802	802	802	802	802	802	802	802	802	802	802	835	9,657	10,474	11,070
<b>Cash Receipts by Source</b>	<b>12,090</b>	<b>5,757</b>	<b>5,757</b>	<b>5,757</b>	<b>11,694</b>	<b>5,757</b>	<b>5,757</b>	<b>11,694</b>	<b>5,757</b>	<b>5,757</b>	<b>5,757</b>	<b>15,932</b>	<b>97,467</b>	<b>104,066</b>	<b>104,864</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	4,319	-	-	-	4,319	-	-	-	4,319	-	4,319	-	17,275	22,606	49,505
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	12	12	15	17
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Receipts by Source</b>	<b>16,409</b>	<b>5,757</b>	<b>5,757</b>	<b>5,757</b>	<b>16,013</b>	<b>5,757</b>	<b>5,757</b>	<b>11,694</b>	<b>10,076</b>	<b>5,757</b>	<b>10,076</b>	<b>15,944</b>	<b>114,754</b>	<b>126,687</b>	<b>154,386</b>
<b>Cash Payments by Type</b>															
Employee related costs	2,626	2,507	2,507	2,507	2,507	2,507	2,507	2,507	2,507	2,507	2,507	3,814	31,510	32,584	33,479
Remuneration of councillors	212	212	212	212	212	212	212	212	212	212	212	208	2,540	2,641	2,826
Finance charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - Electricity	-	-	-	-	-	-	-	-	-	-	-	23,190	23,190	25,512	25,982
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	419	1,932	193	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	(12,973)	5,027	4,278	4,663
Contracted services	425	343	343	343	343	343	343	343	343	343	343	1,244	5,099	4,731	4,101
Transfers and grants - other municipalities	-	393	393	393	393	393	393	393	393	393	393	(3,930)	-	-	-
Transfers and grants - other	-	271	271	271	271	271	271	271	271	271	271	(2,710)	-	-	-
Other expenditure	1,159	788	788	788	788	788	788	788	788	788	788	4,864	13,903	16,542	14,380
<b>Cash Payments by Type</b>	<b>4,840</b>	<b>6,446</b>	<b>4,707</b>	<b>6,446</b>	<b>6,446</b>	<b>6,446</b>	<b>6,446</b>	<b>6,446</b>	<b>6,446</b>	<b>6,446</b>	<b>6,446</b>	<b>13,708</b>	<b>81,269</b>	<b>86,288</b>	<b>85,431</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	4,319	-	-	-	4,319	-	-	4,319	-	-	4,319	(15,675)	1,600	-	-
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Payments by Type</b>	<b>9,159</b>	<b>6,446</b>	<b>4,707</b>	<b>6,446</b>	<b>10,765</b>	<b>6,446</b>	<b>6,446</b>	<b>10,765</b>	<b>6,446</b>	<b>6,446</b>	<b>10,765</b>	<b>(1,967)</b>	<b>82,869</b>	<b>86,288</b>	<b>85,431</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>7,251</b>	<b>(689)</b>	<b>1,050</b>	<b>(689)</b>	<b>5,248</b>	<b>(689)</b>	<b>(689)</b>	<b>929</b>	<b>3,630</b>	<b>(689)</b>	<b>(689)</b>	<b>17,912</b>	<b>31,885</b>	<b>40,399</b>	<b>68,955</b>
Cash/cash equivalents at the month/year begin:	1,468	8,718	8,029	9,079	8,390	13,638	12,949	12,260	13,189	16,819	16,130	15,441	1,468	1,567	41,966
Cash/cash equivalents at the month/year end:	8,718	8,029	9,079	8,390	13,638	12,949	12,260	13,189	16,819	16,130	15,441	33,353	33,353	41,966	110,921

## **Annual budgets and SDBIP**

### **Capital Expenditure Details**

Capital details are shown in Annexure 1 and 2 on following tables:

- 'Main Table A5: Capex (capital expenditure)'
- 'Main Table A9: Asset Management (capital expenditure, Asset Register, Depreciation, and R&M)'
- 'Supporting Table SA6: Reconciliation of IDP strategic objectives and budget (capital expenditure)'
- 'Supporting Table SA28: Monthly Capital Expenditure by Municipal Vote (capital expenditure)'
- 'Supporting Table SA29: Monthly Capital Expenditure by GFS and Funding Source (capital expenditure)'
- 'Supporting Table SA34a: Capital expenditure on new assets by asset class'
- 'Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class'
- 'Supporting Table SA36: Detailed capital budget'

## LEGISLATION COMPLIANCE STATUS

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

### *Municipal Finance Management Act - No 56 of 2003*

The MFMA became effective on 1st July 2004. It covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

### *The MFMA and the budget*

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA. The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed deficit funds from the previous year and borrowings (the latter for capital items only).

### *Other Legislation*

In addition to the MFMA, the following legislation also influences Municipality budgeting;

### The Division of Revenue Act and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations

Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget.

Section 18 of the MFMA states, “annual budgets may only be funded from reasonably anticipated revenues to be collected”. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy. Section 20 – Other supporting documents.

## Other supporting documents

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. These are the following:

### **Annexure 1 – 2018-2019 MTREF Main Budget Tables version 6.2**

Tables A1 to A10

### **Annexure 2 – 2018-2019 MTREF Supporting Budget Tables version 6.2**

Supporting Tables SA1 to SA37

### **Annexure 3 – Three prior years outcome and current year main Supporting Budget Tables**

### **Annexure 4 –2018/2019 NT Circular and guidelines**

Circular 82, 91

### **Annexure 5 – Tariffs\*, Charges and Fees for 2018/2019**

#### **Annexure 5 – Policies**

- Tariff

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